

**SHEFFIELD CITY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2022/23**

**Unaudited**

**For the period**  
**1 April 2022 to 31 March 2023**

## Contents

Narrative Report by the Director of Finance and Commercial Services .....3	19. Short Term Creditors ..... 61	Notes to the Housing Revenue Account..... 125
Statement of Accounts .....25	20. Provisions and Deferred Credits ..... 61	01. Other Comprehensive Income and Expenditure ..... 125
Statement of Responsibilities ..... 25	21. Other Long Term Liabilities ..... 62	02. Adjustments Between Accounting Basis and Funding Basis Under Regulation .... 125
The Core Financial Statements ..... 26	22. Contingent Liabilities ..... 63	03. Transfer to / (from) Reserves ..... 125
Comprehensive Income and Expenditure Statement (CI&ES) ..... 26	23. Property, Plant and Equipment (PPE) ..... 65	04. Housing Stock ..... 126
Movement in Reserves Statement (MIRS) ..... 27	23A. Infrastructure Assets ..... 71	05. Vacant Possession ..... 127
Balance Sheet ..... 29	24. Service Concessions – Private Finance Initiatives (PFI) and Public Private Partnership Arrangements (PPP) ..... 72	06. Major Repairs Reserve ..... 127
Cash Flow Statement ..... 31	25. Heritage Assets ..... 76	07. Capital Expenditure ..... 128
Expenditure and Funding Analysis (EFA) Statement ..... 32	26. Investment Properties ..... 81	08. Depreciation ..... 128
Notes to the Core Financial Statements ..... 34	27. Intangible Assets ..... 83	09. Impairment and Valuations ..... 129
01. Prior Period Restatement ..... 34	28. Assets Held for Sale ..... 83	10. Rent Arrears ..... 129
02. Events After the Reporting Date ..... 34	29. Capital Expenditure and Capital Financing ..... 84	11. Rent Income ..... 129
03. Material Items of Income and Expense ... 34	30. Leases and Lease Type Arrangements ... 85	12. Dwellings Rents ..... 129
04. Acquired and Discontinued Operations ... 34	31. Long Term Contracts ..... 86	13. Rebates ..... 129
05. Note to the Expenditure and Funding Analysis (EFA) Statement ..... 35	32. Impairment Losses ..... 86	Collection Fund ..... 130
06. Segmental Income ..... 37	33. Movements in Earmarked Reserves ..... 87	Notes to the Collection Fund ..... 131
07. Expenditure and Income Analysed by Nature 37	34. Usable Reserves ..... 88	01. Council Tax ..... 131
08. Adjustments Between Accounting Basis and Funding Basis Under Regulations .... 38	35. Unusable Reserves ..... 94	02. National Non-Domestic Rates (NNDR).. 133
09. Other Operating Expenditure ..... 40	36. Cash Flow Statement – Operating Activities ..... 100	Accounting Policies ..... 134
10. Financing and Investment Income and Expenditure ..... 40	37. Cash Flow Statement – Investing Activities ..... 101	Notes to the Policies and Standards ..... 160
11. Taxation and Non Specific Grant Income 41	38. Cash Flow Statement – Financing Activities ..... 101	01. Accounting Standards Issued, Not Adopted ..... 160
12. Grant Income ..... 42	39. Pooled Budget Arrangements ..... 101	02. Critical Judgements in Applying Accounting Policies ..... 162
13. Dedicated Schools Grant ..... 43	40. External Audit Fees and Additional Audit Fees (Non Statutory) ..... 104	03. Assumptions made about the future and other major sources of estimation uncertainty ..... 162
14. Financial Instruments ..... 44	41. Related Party Transactions ..... 104	04. Going Concern ..... 166
15. Nature and Extent of Risks Arising from Financial Instruments ..... 50	42. Members' Allowances ..... 111	Annual Governance Statement ..... 167
16. Long Term Debtors ..... 59	43. Officers' Remuneration ..... 111	Trade Union (Facility Time Publication Requirements) Regulations 2017 - (Not subject to audit) ..... 189
17. Short Term Debtors ..... 60	44. Termination Benefits ..... 116	Glossary ..... 192
18. Cash and Cash Equivalents ..... 60	45. Post-Employment Benefits ..... 116	Independent Auditor's Report ..... 197
	Housing Revenue Account (HRA) ..... 123	

## Narrative Report by the Director of Finance and Commercial Services

### 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 2022/23 Code of Practice on Local Authority Accounting (the Code) together with disclosure 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) THE CURRENT ECONOMIC CLIMATE

The cost of living rose significantly during 2022 and 2023 with the annual inflation rate reaching a 41 year high in October 2022 of 11.1%. We closed the financial year with inflation on consumer prices of 10.1% more than that just a year ago. Following the disruption created by the Covid-19 pandemic in 2020-2022, we have continued into a period of further uncertainty, economic instability, and pressure on the Council's budgets. The Russian invasion in Ukraine produced an unprecedented increase in energy prices with domestic gas prices increasing by 129% and domestic electricity by 67% from March 2022 to March 2023. This drove inflation across an already squeezed post-pandemic supply chain. Whilst inflation is expected to drop during 2023, our citizens are feeling the impact of the cost-of-living crisis as real income has decreased for most. The Council is still dealing with the consequences of the pandemic and the cost-of-living crisis has compounded the impact with increased demand for health and social care services creating pressure on Council budgets.

With the Office for Budget Responsibility (OBR) forecasting that average wages will not catch up with inflation until 2026/27, the squeeze on disposable incomes and living standards is expected to continue for several years. Inflation is not falling as quickly as was previously expected and only fell from 10.4% to 10.1% from February to March 2023. This suggests that the Bank of England will raise interest rates from 4.25% to 4.50% at their May meeting before it is likely to drop back later this year and throughout 2024. The volatility in financial markets over the last year has required agility in treasury management decisions.

### 3) SHEFFIELD AS A PLACE

Sheffield is a brilliant city. Resourceful, inventive, welcoming. A place rooted in its history and ambitious for the future, it 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, it has been named the [greenest city in the UK](#), and is known as the Outdoor City, something in which we take great pride. We are the spiritual home of climbing in the UK with not only famous crags, boulders, and limestone in the Peaks but some of the best indoor facilities in the country.

Sheffield was voted the [2<sup>nd</sup> best city break location in Europe for 2023, according to Time Out](#) and has been dubbed as a foodie hotspot by the [Observer Food Monthly awards 2022](#). The city has a vibrant mix of food, bars, theatres, clubs, festivals, museums, galleries, and street art to keep our residents entertained and guests excited to visit. Kelham Island was named as one of the [UK's coolest neighbourhoods in 2022 by Time Out](#). Once the beating heart of industry, Kelham Island is one of Sheffield's oldest manufacturing sites, except nowadays these buildings house everything from indie shopping arcades to microbreweries and galleries. Annually Sheffield hosts a range of cultural events and sporting activities including welcoming the World Snooker Championship, which has been held at the city's Crucible Theatre since 1977, the annual Sheffield DocFest, and the Tramlines Festival, to name but a few.

Sheffield faces a wide variation in the levels of income within the city and in some neighbourhoods, the situation has deteriorated as a result of Covid-19 and the cost-of-living crisis. However, unlike many cities, Sheffield 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, the city also has areas of significant poverty, including some areas in the 10% most deprived neighbourhoods in England. These income, health and other inequalities provide a major backdrop and challenge to the services the Council provides. Supporting these challenged communities, and all our communities, gives us an even greater responsibility to get what we do right.

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 was named University of the Year at the 2022 Educate North Awards, in recognition of the number of graduates going on to gain quality jobs, widening access to higher education, and the positive impact the University has on the region. It was also named University of the Year in 2021 in the Social Mobility Awards and Outstanding Entrepreneurial University at the Times Higher Education Awards 2021 which recognises the entrepreneurial principles embedded throughout the whole University's approach. 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.

Over the last twelve months Sheffield City Council has made significant and sustained progress – in everything from delivering innovative new youth services to introducing the committee system, from helping hundreds of Ukrainian and Afghan refugees settle in our City of Sanctuary to securing major investment in the city as part of our Levelling Up pilot status. We have played host to the Lionesses on their way to European Championship glory,

staged the global film premiere of Everybody's Talking About Jamie, and we are making massive progress towards reimagining our city centre. Further progress has been made with our Heart of the City II development– including the Radisson Blu Hotel, completion of Block B and C, and opening of Pound's Park, coupled with development plans to rejuvenate, and reinvent Fargate and High Street as social hubs in the city through the Future High Streets Fund in partnership with the University of Sheffield.

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, situated within both 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.

#### **4) SHEFFIELD CITY COUNCIL**

2022/23 has been a year of significant change in the way the City Council is governed. In response to the May 2021 Council referendum, during the year, the Council changed its system of governance to a modern Committee system from May 2022. The 2022 elections also resulted in the Council being in “no overall control” (i.e. no party has an absolute majority of seats on the Council), with committee chairing arrangements reflecting this outcome. The Council having also established Local Area Committees from summer 2021, continued to embed the delegation of more decision-making powers to local areas.

We have also seen the launch of the Sheffield's independent Race Equality Commission report which detailed the scale of racial inequality and prejudice that we need to tackle in the city. As a key institution, we are committed to playing a leading role in Sheffield's path to becoming an anti-racist city. We know that this needs long term change and we have published our response and three-year action plan which commits us to continuous improvement - developing racial literacy and cultural competency, eradicating racial inequalities which exist within the Council and in the services it delivers and improving life chances and outcomes for those who live in Sheffield.

Financially, like most other local authorities in England, the Council faces several challenges in the coming years, including:

- mitigating the impact of the pandemic and cost-of-living crisis on businesses and jobs and supporting the city's recovery.
- potential reductions in Central Government funding beyond 2022/23 onwards. Any reductions would be especially challenging to cope with, given the fall of more than £200m of funding reductions since the 2010 recession and the consequent “austerity” agenda.
- demographic change 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.
- the impact of Brexit continues to cause considerable uncertainty. The full impacts of Brexit have not fully flowed through the economy; we have seen significant implications in labour market shortages, increasing supply chain costs and a marked hesitancy by businesses to invest whilst Brexit impacts remain unclear, affecting Business Rates growth forecasts.

- The war in the Ukraine has triggered further economic damage with rising food and fuel prices impacting the cost of living across the country. In 2022/23 we saw the consumer price index peak at 11.1% and 7 consecutive months of double-digit inflation creating cost pressures in our own supply chain and financial challenges to those we support in the city.

The Council remains ambitious for the city, with a range of projects underway. The Council is leading the construction of a range of modern retail, office, and residential accommodation as part of the £370m Heart of the City II re-development, whilst more generally the city centre has been transformed over recent years, with the significant regeneration of The Moor and continued developments around Kelham Island. The Council has been continuing to work with Government including the Department for Levelling Up Housing and Communities, the Department for Business Energy and Industrial Strategy and Homes England to develop Sheffield's levelling up priorities and have a single conversation with Whitehall departments.

In February 2023, the Council launched a Clean Air Zone (CAZ) in the city. This was part of the national Clean Air Strategy led and funded by the Department for Environment, Food and Rural Affairs (DEFRA) which aims to address air pollution issues to comply with UK law. The foundations of Sheffield's future are being built today. We want the future to be cleaner and healthier for all who live in our city. Sheffield is committed to setting a higher standard for the people who live here and share Sheffield's air. This means we need to reduce air pollution as fast as possible. Air pollution contributes to 250 - 500 deaths a year in Sheffield. It can permanently damage children's lungs, can cause strokes, lung cancer and cardiovascular disease. Living alongside a busy road carries the same risk as passively smoking 10 cigarettes a day. Older, polluting vehicles are a major source of air pollution. We need to bring NO<sub>2</sub> emissions within legal limits in the shortest possible time. The Zone is part of a wider Clean Air Plan which brings improvements in air quality across Sheffield and the region.

The Council's Ethical Procurement Policy continues to shape how we spend our money. The policy sets out as one of the aims to increase the proportion of our supply chain that meets the real Living Wage as well as increase spend in the local economy. Our Ethical Procurement Policy forms an integral part in our procurement activities and provides clear guidance for establishing internal and external relationships essential for operations and long-term growth.

The Council employs approximately 8,900 people in full-time and part-time positions, with a further 4,600 people approximately employed by schools. The Council is committed to ensuring that its workforce is representative of the communities that it serves, and whilst this is not yet fully the case, we are taking significant steps through our workforce planning, recruitment, learning and development, and employee engagement work to rapidly improve this picture.

The Council is also committed to training and developing its workforce, and it employs 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 are available to accredit specific specialist roles to a professional standard, including degree level. Since 2017 there have been over 400 apprenticeships started at the Council.

The Council also delivers employment and skills benefits from its procurement and planning activities. In the financial year 2022/23, we delivered 235 work experience opportunities, almost 50 new apprenticeships and over 800 new jobs – together with upskilling workforces in the city and wider region.

## 5) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

In July 2022, Members set out their six strategic goals for the city.

These are the basis for the Council's future planning, alongside an underlying aim to be a good council and deliver high quality services for all.

- Fair, inclusive, and empowered communities
- Strong and connected neighbourhoods which people are happy to call home.
- Tackling inequalities and supporting people through the cost-of-living crisis
- Healthy lives and wellbeing for all
- Clean economic growth
- Happy young people who have the start they need for the future they want

To help us achieve these goals we are on a four-year 'improvement journey'. This is designed to make us a better council by first focusing on a small number of key issues and challenges to transform the services we provide and how we do business.

This journey will have four key phases. Each phase will build upon the last, helping us to continually improve and creating the foundations for achieving our longer-term ambitions for our city.

The four phases:

1. STABILISE (2022/23) – getting the basics right and doing the things that Sheffields expect of us well. This means improving key services; bringing stability to the Council's budget with a sound financial plan; and making some rapid changes to ensure we are fit for the future.
2. EMBED (2023/24) - improving service effectiveness and delivery across the organisation and creating a robust long-term financial plan.
3. GROW (2024/25) - improving outcomes for the city's people and communities, with a stable financial position and highly effective services.
4. FLOURISH (2025/26) – being a modern, high-performing council that the people of Sheffield deserve, delivering increasingly ambitiously for the city.

In August 2022, the Strategy & Resources Committee agreed a Delivery Plan based on these six goals to address the STABILISE phase. This is the first step on that four-year improvement journey to ensure that Sheffield City Council is in the best possible position to deliver the administration's priorities and be effective in working alongside communities and partners to build a more sustainable, inventive, and socially just Sheffield. As an employer and leader in the city, we need to aspire to be an outstanding organisation; a council of which all Elected Members, staff and citizens can be proud. Focusing on a small number of areas to deliver real improvements to the things that most matter to Sheffields will give us a platform to build from over the coming years. It will put us in the best position to achieve our goals and ambitions for Sheffield and the people who live, work, and visit the city.



### [Our Sheffield Delivery Plan 2022-23](#)

We will continue to 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. Including:

- 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.
- South Yorkshire Mayoral Combined Authority (SYMCA) – leading the Region's economic recovery alongside the Mayor and our neighbouring councils in (SYMCA).
- 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.

Looking into 2023/24, the Council is looking to build on these foundations as we work to develop a longer term Corporate Plan. This will set the overarching policy framework for the organisation as a critical element in becoming a good council that delivers high quality services for all in Sheffield.

## **6) PERFORMANCE**

Sheffield City Council and the city, as a whole, stand together, shoulder-to-shoulder as people, organisations and businesses to look after each other, our most vulnerable Sheffields and our city. 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 with ever increasing demand for our services. Continued uncertain economic conditions from significant increases in contract and price inflation has put additional pressure on our services, such as those that support vulnerable families, children, and older people.

The impact of these increased costs means that we faced initial committee budget pressures of £69m when setting the Council's 2023/24 budget, with approximately £43m of these pressures relating to Social Care Services. Committees managed to identify £48m of savings to help deliver a balanced budget and a better than expected Finance Settlement from Government enabled the Council to close the gap further without the use of reserves. Additional Business Rates compensation income, extra Social Care funding and the ability to raise Council Tax by 4.99%, previously assumed at 2.99%, supported a balanced budget.

Due to the level of forecast overspends, and undelivered savings, the 2022/23 budget used £15m of earmarked reserves to balance the Council's financial position. In addition, there was a requirement to deliver £53m of savings schemes to balance. In practice, some of these schemes proved difficult to implement in whole or part following consultation and failed to deliver a full year of savings during 2022/23. Earmarked reserves will support the timing and delivery risks associated with the implementation of these savings.



Central Government funding for 2023/24 was confirmed in December 2022, and provided another 1-year deal, leaving the financial position for future years uncertain. There have been no new multi-year funding announcements since the four-year settlement announced in 2016. The additional money for social care to address inflationary pressures for both us and social care providers, by delaying the social care reforms until 2025 is welcomed. However, it falls significantly short of the funding required to address the severity of the pressures facing the service, rising demand, and ensuring the statutory duties under the Care Act are met. This Council, along with many others nationally and the bodies that represent Local Government, have repeatedly called for more clarity over the medium-term funding for social care. Increased certainty would allow the Council to plan for future service developments and would inform the levels of savings required to balance future 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 2023/24 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, the increasing demand on vital services and the economic backdrop that we operate within has had a major impact on the money we have available to spend. The fact remains that Sheffield has almost 30% or £856 per household less to spend in real terms, when compared to 2010/11. This reduction is well above the national average of approximately 20% or £581 per dwelling. Consequently, we set a 4.99% rise in Council Tax to support vital services in the city. This was 2% higher than anticipated in the Medium-Term Financial Analysis and delivers approximately £5m of additional funding for Sheffield, vital to close the budget gap. A difficult choice and will place an additional financial burden on the households of Sheffield with most homes, from April 2023, seeing an increase of £1.12p per week.

We used an online survey to ask 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:

- In line with previous years, respondents said that their main priorities for more investment were some of our most critical and key services – particularly adult social care, children’s social care, education, housing, and Public Health.
- Citizens were asked for their views on the budget proposals that were developed by the Policy Committees. For the Education, Children and Families; Economic Development and Skills, and Adult Health and Social Care Committees, over half of the respondents said that they were supportive of the budget proposals that had been put forward. However, the Parks and Leisure; Waste and Street Scene, and Transport, Regeneration and Climate Committees saw respondents raise disagreements with the budget proposals.
- We asked respondents whether they agreed or disagreed with the proposed 2.99% increase in Council Tax for 2023/24. We stated that this would help reduce the need for further savings in the budget. Almost two-thirds (58.7%) of respondents said that they agreed with the proposed increase with 29.7% saying that they disagreed. When prompted to say why they gave this view, comments mainly focused on the cost-of-living increases faced during the year to date, whether SCC would use the money effectively, but recognised it was important to protect key services, and a number recognised the difficult choices faced by the Council as a result of Central Government funding.

- We also asked citizens their views on the option that Government have made available to councils to increase the Adult Social Care Precept (ASCP) by up to 2%, which is specifically to invest in local adult social care services. 62.6% of respondents said that they agreed with the proposal with just over a quarter (26.2%) of people disagreeing.
- In line with previous years, many respondents said that they were keen to see us hold fees and charges at the current level (48.4%), with 36% suggesting that they would be happy to see fees and charges increased.
- We asked citizens how important they thought it was that we used our capital programme to invest in the different Policy Committee areas. Respondents overwhelmingly felt that investment in capital projects for Adult Health and Social Care; Transport, Regeneration and Climate Change; Education, Children and Families, and Housing are the top four most important areas.
- Respondents also identified affordable housing, climate change and transport as critical for the capital programme.
- Finally, we asked respondents to provide any additional comments they may have or suggestions about how Sheffield City Council could better manage our budget by increasing income or making further savings. Respondents provided a very wide range of views and comments, summarised below:
  - Making best use of public money – it was vital that SCC delivered good value for money with the funding we have available. Suggestions included reducing senior officer salaries; taking an intense focus on improving efficiency and delivery in a smaller, prioritised number of services; reducing/managing contracts with consultants; reducing office accommodation.
  - Income generation – maximising opportunities for income generation.
  - Campaigning for a fairer settlement from Government.
  - Stronger community involvement and supporting volunteering – building stronger connections with communities to better understand local needs.
  - Promote the city and support inward investment - maximise the potential of the city.
  - Climate change – there was a mix of views about the city’s focus on climate change.

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.

## 7) 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 portfolios plus corporate. The £411.8m net revenue budget for 2022/23, which included savings from General Fund services of £52.7m, was split by portfolio and category as shown in the Figure 2 below. The net expenditure was budgeted to be funded by £39m of Revenue Support Grant, £222m of Council Tax, £135m of the Council’s share of National Non-Domestic Rates (NNDR) including top up grant, and £30m of Social Care

Precept. This income was offset by a £14m Collection Fund deficit created because of the accounting regulations in relation to Business Rates reliefs for 2021/22.

- The final outturn position was an overspend of £5m, equivalent to 1% of the Council’s net revenue budget, shown in the Figure 3 below. Further details on the future financial outlook for the Council can be found in the Financial Outlook section of this Narrative Report.
- Social care remains the main area of cost pressures for the Council. The needs of an increasing number of older people, and people living with disabilities, and the pressures on families mean, in common with other Local Authorities, we have to devote an increasing proportion of our spending to social care, as shown by Figure 4 below (social care comprises the vast majority of the spend in our People Portfolio).
- The Council’s net worth (value of total assets less total liabilities) has increased by £1,120m (or 72%) since 2021/22.
- Total usable revenue reserves decreased from £375.2m at 31<sup>st</sup> March 2022 to £356.7m at 31<sup>st</sup> March 2023. A further £50m of these reserves have been identified to fund the 2022/23 budget gap of £14.5m, but also to act as a buffer against future overspends and potential budget gaps. Total usable capital reserves increased by £4m from £214m to £218m. Usable revenue reserves comprise both those which are earmarked for specific purposes, and those which are un-earmarked. Only £15.1m of the Council’s reserves are un-earmarked, which is at the minimum recommended prudent level.
- £190.6m of capital investment was spent via the Capital Programme during the year, compared to £151m in 2021/22.

**Figure 2. Savings by Portfolio and Category**

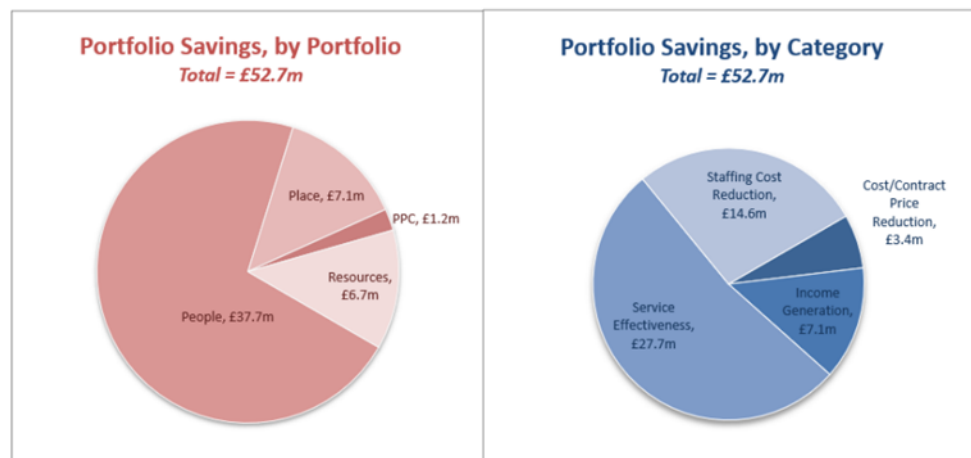


Figure 2 shows the Council's savings from General Fund services, split by Portfolio for the financial year 2022/23.

<b>Portfolio</b>	<b>£m</b> <b>Total Savings 22/23</b>
People	37.7
Operational Services	7.1
Policy, Performance Comms	1.2
Resources	6.7
<b>Total</b>	<b>52.7</b>

### Figure 3. Financial results by Portfolio

<b>Full Year £m</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
Corporate	(456.6)	(450.5)	(6.1)
City Futures	34.1	34.9	(0.8)
Operational Services	111.4	111.6	(0.2)
People	304.4	294.2	10.2
Policy, Performance Comms	3.6	3.2	0.4
Resources	8.1	6.5	1.5
<b>Total</b>	<b>5.0</b>	<b>(0.0)</b>	<b>5.0</b>

Figure 3 shows the Council's overspend at £5m for the financial year 2022/23 split by Portfolio

**Figure 4. Sheffield City Council 2022/23 Net Revenue Budget by Portfolio (£000)**

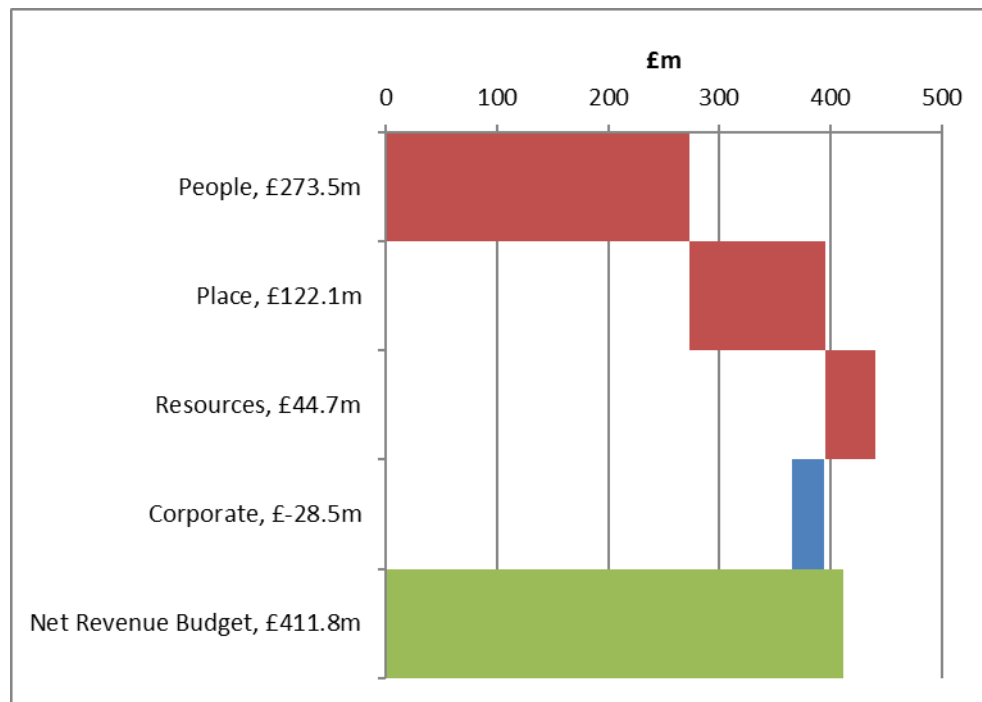


Figure 4 shows the Net Revenue Budget of the Council for the financial year 2022/23, with the overall net revenue budget at £411.8m. It is worth noting that the 2022/23 budget has been set using £14.5m of reserves to bridge the forecast gap between income and expenditure.

## CAPITAL EXPENDITURE

Capital expenditure can broadly 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 31<sup>st</sup> March 2023 was valued at £898.9m. This investment will deliver a range of improvements across the city, including:

- Upgrading our transport infrastructure - to improve air quality and safety and deliver sustainable economic growth

- Regenerating our city centre – to support Sheffield’s position as a thriving city with an attractive employment, leisure, retail and residential offer
- Building more social housing for our citizens – to enable more residents to live in high quality homes and regenerate brownfield sites
- Improving existing council housing stock – ensuring our housing stock is fit for purpose, improving tenants’ quality of life and delivering energy efficiency improvements
- Enhancing parks and public spaces – to ensure people have access to high quality green spaces and improve biodiversity
- Improving youth provision – investing in our young people and their communities
- Protecting the city from flooding – to improve our resilience to climate change
- Ensuring sufficient school places in well-maintained schools

Sheffield has declared a climate emergency and our capital programme reflects our desire to reach net zero. Whilst this presents us with many challenges – particularly in the current climate of rising prices and supply chain difficulties - we continue to focus on minimising our negative impacts on the environment in everything we do.

**Image 1: Stocksbridge Towns Fund Shop Fronts Current**



**Image 2: Stocksbridge Towns Fund Shop Fronts Planned**





**Image 3: Levelling Up Fund Castlegate Current site**



**Image 4: Planned Castlegate development**



**Image 5: King Egbert School Expansion**





The 2022/23 Capital Outturn is £190.6m against a revised budget of £240.3m, a variance of £49.7m (20.7%). The main reason for this difference is 'slippage', the extent to which, in terms of expenditure, capital projects are behind their original schedule. This will be carried forward into 2023/24, along with the resources identified to fund the schemes and reprofiling of allocations for themes of work or schemes not yet in delivery.

For further details, please refer to the outturn report to be published as part of the agenda for the Council's Finance Sub-Committee meeting of 13<sup>th</sup> June 2023.

## **8) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS**

### **Statement of Responsibilities**

This sets out the respective responsibilities of the City Council and the Director of Finance and Commercial Services 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 £1,120m. 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 £15.1m or around 3.4% of the net budget requirement, 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 2022/23. The accounting policies presented in Note 1 to the financial statements are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

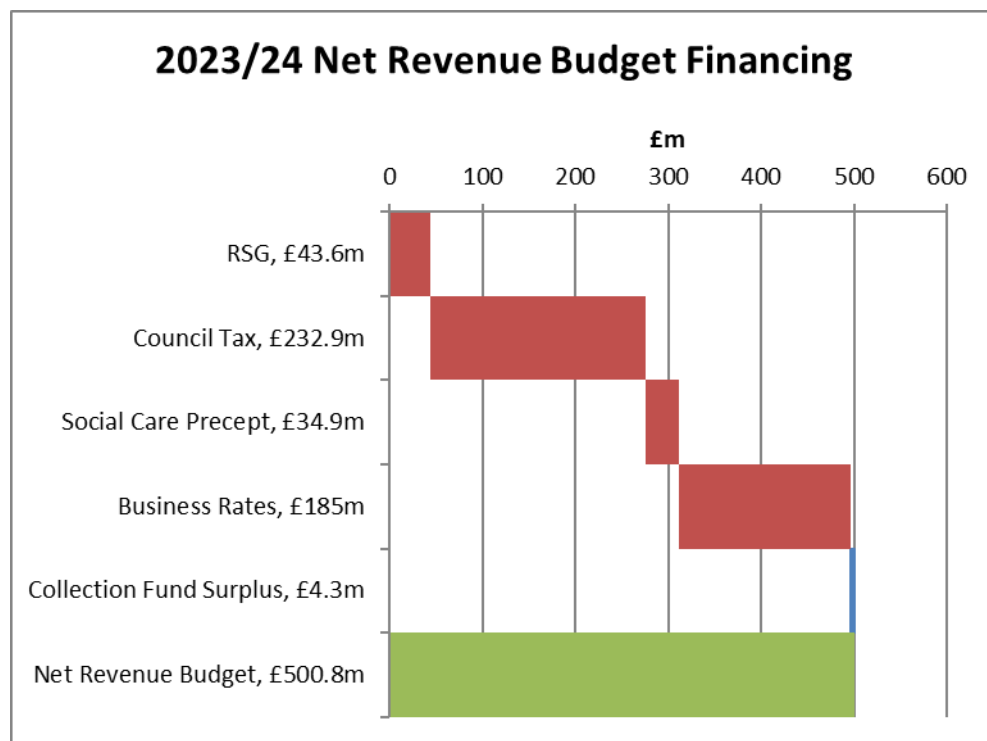
There have been no significant changes in accounting policies during 2022/23.

## 9) FINANCIAL OUTLOOK

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2023/24 Revenue Budget (approved by Full Council on 1 March 2023) and the Medium Term Financial Analysis 2023/24 to 2026/27 approved by Strategy & Resources Committee on 5 July 2022.

The 2023/24 Revenue Budget shows the Council's Net Revenue Budget of £500.8m is funded as shown in Figure 5 below:

**Figure 5. Sheffield City Council Financing of the 2023/24 Net Revenue Budget (£m)**



## Local Government Finance Settlement

After releasing details of the Provisional Local Government Finance Settlement on 19 December 2022, the final Local Government Finance Settlement figures for 2023/24 were confirmed on 6 February 2023.

As shown in Figure 5 (above), the net revenue budget for 2023/24 totals £500.8m, and comprises four main sources of income, and a one-off amount of £4.3m “Collection Fund Surplus”. This surplus was created because of the prescribed accounting treatment for Expanded Business Rates Reliefs.

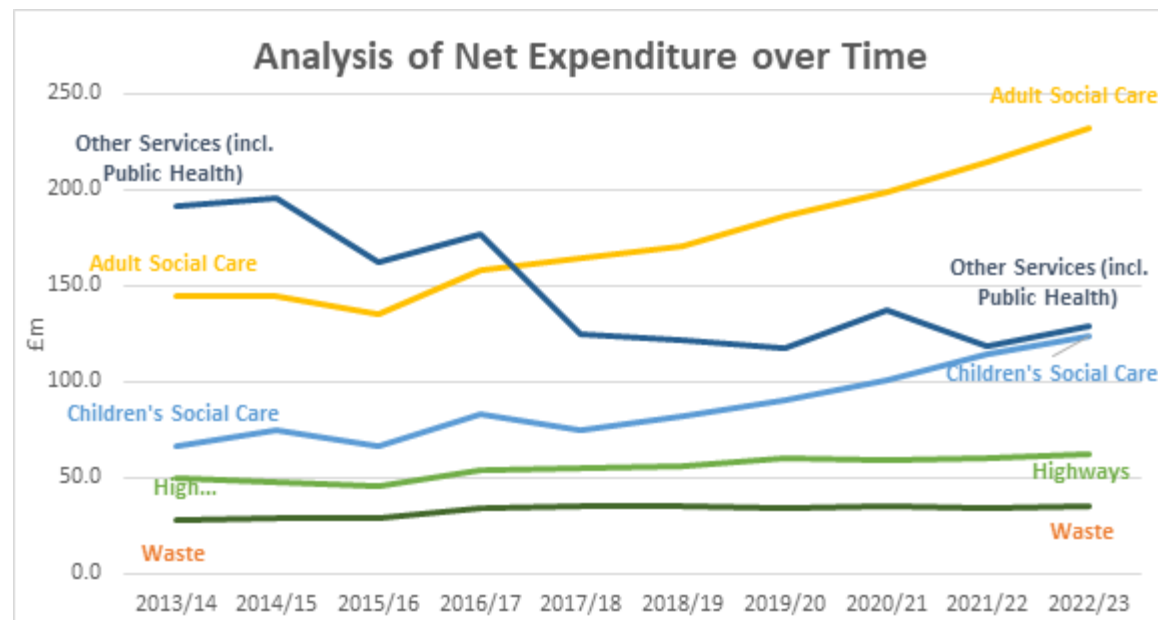
When compared to the early 2010s, the proportion of each of these income sources has changed significantly. Revenue Support Grant (RSG), funding from Central Government, has steadily reduced over the past decade, reducing from £192m in 2013/14 to £44m for 2023/24. As a result RSG now only accounts for less than 10% 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, with Council Tax, including the Social Care Precept, at 53%, and Business Rates and the Collection Fund Surplus totalling 38% of net revenue budget.

After adjusting the net revenue budget for the impact of the accounting treatment of the Collection Fund, the Council’s available resources are improved compared to 2022/23. However, whilst some Central Government grant funding has been provided for 2023/24, and the Council has taken the difficult decision to increase local taxation, overall funding is still insufficient 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, coupled with inflationary cost pressures, which, if left unchecked or underfunded, will create long term financial 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 continue to lobby for adequate compensation for the 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 use 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. Figure 6 below shows how an increasing proportion of the Council’s spending has been devoted to social care services over the past ten years.

Figure 6. Proportion of Sheffield City Council’s spend by area



## 10) 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 risks, 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
Medium Term Financial pressures/ Budget Pressures	Continuing constraints on local government funding, continuing service and cost pressures, alongside uncertainty about future	A robust business planning process is in place, with formal updates on the four-year position annually, and at least quarterly

	<p>funding increase the risk of not being financially solvent. Additionally, coping with aftereffects of the pandemic, Brexit and now the cost-of-living crisis have all added to the pressures.</p>	<p>reporting to the Performance &amp; Delivery Board on the financial position. This has enabled the Council to deliver to date whilst maintaining satisfactory level of reserves.</p>
2030 – Carbon Neutral targets	<p>The Council has voiced its ambition to be carbon neutral by 2030. A corporate approach to delivering this work and a suitable framework to underpin it is required.</p> <p>Failure to implement this will result in the Council and the city being unable to achieve this ambition.</p>	<p>Climate Oversight Board established to provide corporate governance and accountability. Additionally, developing the Council’s decarbonisation route map to agree key actions to enable transition as an organisation.</p>
Clean Air Zone (CAZ)	<p>Linked to the risk above, a Clean Air Charging Zone has been introduced in Sheffield, which may reveal operational and reputational risk.</p>	<p>Programme governance has been refreshed. CAZ executive board monitors risks and issues, with highest level escalated to Our Sheffield Board. Weekly reporting to senior Executive Boards and close liaison with Government and the Joint Air Quality Unit.</p>
Universal Credit (UC) – HRA & Council Tenants/cost of living	<p>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 unpaid rent, increased arrears and reduced HRA income. The cost-of-living crisis will further impact this risk.</p>	<p>Extensive work has been undertaken with customers and stakeholders to minimise the impact UC has on rent arrears. This includes:</p> <ul style="list-style-type: none"> <li>• Dedicated team to support new UC claimants.</li> <li>• Budgeting support.</li> <li>• Access to HRA hardship funds.</li> <li>• Supporting tenants to understand and make claims.</li> <li>• Promotion of DD as preferred payment method.</li> <li>• Close relationship with Sheffield Credit Union.</li> <li>• Close working with partners such as DWP, Citizens Advice.</li> </ul>

<p>Health &amp; Safety &amp; Wellbeing in the Workplace</p>	<p>Having inadequate health, safety and wellbeing arrangements in place and failing to comply with statutory duties under Health &amp; Safety legislation could lead to prosecution, intervention fees, litigation and reputational risk.</p>	<p>Continuous development, maintenance, and improvement of the Health and Safety Management System (aligned to ISO 45001:2018 and HSE HS(G)65 Successful Health and Safety Management Model Plan Do Check Act).</p> <ul style="list-style-type: none"> <li>• Workplace audit and inspection programme.</li> <li>• Publication of risk information, risk assessments, Standard Operating Procedures, safe systems of work etc.</li> <li>• External audit and scrutiny through external auditors.</li> <li>• Health and Safety consultation meetings monitor performance.</li> </ul>
<p>Failure of Financial sustainability of the independent care provider market</p>	<p>The Government's Fair Cost of Care exercise had raised expectations in 2022/23 of fee rates 'moving towards' the formula-driven 'Fair Cost of Care' rate in 2023/24. To the Council, this could mean that a judicial review on use of funds and providing a sustainable market and/or we lose providers from the market because of low fee rate and high vacancies.</p>	<p>Work has so far included: Analysis of Autumn statement by Finance to understand the position of the Council; consultation about next year's fee rate undertaken in early 2023; Market Sustainability report on our duties and how we currently rate, risks and mitigations. Care Home strategic review and recommissioning plan for care homes will set out how we may look at differentiated fee rates, the number of care home beds for the city and the offer we require.</p>
<p>Adult Services - local offer failure</p>	<p>Following a self-assessment, the statutory Director of Adult Social Services (DASS) cannot provide assurances regarding safety of service provision and local offer which meets statutory duties. Amongst other things, this could mean that risks increase to vulnerable adults, those in need of care and support and risk of loss of workforce.</p>	<p>A change programme, which contained a number of mitigations was put in place. These actions are progressing and are subject to ongoing monitoring and review.</p>
<p>Building Maintenance Backlog costs</p>	<p>The backlog in building maintenance for the Council's corporate estate has the potential</p>	<p>A number of financial and operational activities are being undertaken to ensure that</p>



	to cause serious disruption or closure of key buildings due to potential failing elements e.g. mechanical & electrical systems.	this area is addressed, including a review of the current estate and prioritisation of essential and non-essential works.
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. In recent months the risk position has improved.
Service demands for Children's & Families	The risks and resource requirements to meet increased demand within the service have been challenged due to reduced available staff, budget limitations, cost-of-living crisis etc.	Continual review and reporting of services and processes to maximise use of resources and manage caseloads.
Funding Special Educational Needs and Disabilities (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.
General Data Protection Regulation (GDPR) non-compliance	The risk of non-compliance could result in large fines and non-monetary sanctions, such as warnings and orders from the Information Commissioner's Office (ICO), damaged reputation and temporary or long-term ban on processing.	Within our specialist functions, a detailed action plan has been produced to cover the key areas, including a record of processing activity to identify business processes involving personal data and the lawful bases for processing.

## 11) GOVERNANCE

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

## 12) CONCLUSION

Sheffield City Council has successfully delivered significant General Fund budget savings in the past ten years to mitigate over £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 2023/24, which includes additional General Fund savings of £47.7m. These ambitious savings include proposals set out in the Social Care Recovery Plans aimed at controlling or mitigating the cost and demand pressures.

2024/25 will present an even more challenging position unless significant mitigations towards recurrent overspends are brought forward. The Council's outlook, with uncertainty on Central Government funding, increasing social care pressures and inequalities exacerbated by the pandemic, remains extremely challenging, but the Council has a robust existing financial base from which to face that challenge.

The level of inflation in the UK and across much of the world has increased materially with CPI running at historically high levels and expected to continue to be high for much of the 2023/24 financial year. This will inevitably place additional strain on Council finances if government funding does not increase to offset inflationary pressures. This strain affects the Council in two ways, firstly direct and indirect cost pressures as prices and wages rise, but also because the financial hardship that inflation causes for people on lower incomes leads to increase demand for Council services.

### 13) 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](mailto: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 Director of Finance and Commercial Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Responsibilities of the Director of Finance and Commercial Services

The Director of Finance and Commercial Services 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 Director of Finance and Commercial Services 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 Director of Finance and Commercial Services 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.

Philip Gregory  
Director of Finance & Commercial Services (Section 151 Officer)  
16 April 2024

**The Core Financial Statements**

**Comprehensive Income and Expenditure Statement (CI&ES)**

2021/22			2022/23			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Continuing Operations:</b>						
633,487	(323,799)	309,688	People	665,324	(339,950)	325,374
178,482	(172,410)	6,072	Schools	190,973	(178,859)	12,114
59,832	(35,102)	24,730	City Futures	59,794	(24,126)	35,668
237,006	(72,720)	164,286	Operational Services (excluding HRA)	240,986	(65,934)	175,052
6,926	(2,700)	4,226	Policy, Performance & Communications	8,571	(2,976)	5,595
177,235	(164,228)	13,007	Resources	174,867	(161,694)	13,173
1,257	(3,023)	(1,766)	Corporate	8,064	(7,802)	262
<b>1,294,225</b>	<b>(773,982)</b>	<b>520,243</b>		<b>1,348,579</b>	<b>(781,341)</b>	<b>567,238</b>
212,640	(154,054)	58,586	Housing Revenue Account (HRA)	249,476	(162,050)	87,426
<b>1,506,865</b>	<b>(928,036)</b>	<b>578,829</b>		<b>1,598,055</b>	<b>(943,391)</b>	<b>654,664</b>
			<b>(Surplus) / Deficit on Continuing Operations</b>			
		151,938	Other Operating Expenditure	9		231
		89,397	Financing and Investment Income and Expenditure	10		83,662
		(577,597)	Taxation and Non-Specific Grant Income	11		(609,500)
		<b>242,567</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>129,057</b>
		(163,560)	(Surplus) / deficit on revaluation of non-current assets			(268,144)
		(329,271)	Re-measurements of the pension net defined benefit liability			(980,464)
		148	Any other (gains) and losses required to be included			0
		<b>(492,683)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(1,248,608)</b>
		<b>(250,116)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(1,119,551)</b>

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.

2022/23										
	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	
<b>Balance at 31 March 2022</b>	<b>(12,851)</b>	<b>(352,350)</b>	<b>(8,023)</b>	<b>(1,953)</b>	<b>(98,141)</b>	<b>(78,652)</b>	<b>(37,385)</b>	<b>(589,355)</b>	<b>(961,894)</b>	<b>(1,551,249)</b>
<b>Movement in reserves during 2022/23:</b>										
Total Comprehensive (Income) and Expenditure	34,035	0	95,022	0	0	0	0	129,057	(1,248,608)	(1,119,551)
Adjustments between accounting basis and funding basis under regulations	8 (11,003)	0	(105,426)	0	22,665	(16,132)	(1,121)	(111,017)	111,017	0
<b>Net (increase) / decrease before transfers to reserves</b>	<b>23,032</b>	<b>0</b>	<b>(10,404)</b>	<b>0</b>	<b>22,665</b>	<b>(16,132)</b>	<b>(1,121)</b>	<b>18,040</b>	<b>(1,137,591)</b>	<b>(1,119,551)</b>
Transfers (to) / from reserves	33 (25,232)	21,720	9,766	(411)	(9,353)	0	0	(3,510)	3,510	0
<b>(Increase) / decrease in year</b>	<b>(2,200)</b>	<b>21,720</b>	<b>(638)</b>	<b>(411)</b>	<b>13,312</b>	<b>(16,132)</b>	<b>(1,121)</b>	<b>14,530</b>	<b>(1,134,081)</b>	<b>(1,119,551)</b>
<b>Balance at 31 March 2023</b>	<b>(15,051)</b>	<b>(330,630)</b>	<b>(8,661)</b>	<b>(2,364)</b>	<b>(84,829)</b>	<b>(94,784)</b>	<b>(38,506)</b>	<b>(574,825)</b>	<b>(2,095,975)</b>	<b>(2,670,800)</b>

<b>2021/22 Comparative Information</b>										
	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	<b>Total Council Reserves £'000</b>
<b>Note</b>	34	34	34	34	34	34	34	34	35	
<b>Balance at 31 March 2021</b>	<b>(12,851)</b>	<b>(361,682)</b>	<b>(7,782)</b>	<b>(4,171)</b>	<b>(98,837)</b>	<b>(65,564)</b>	<b>(33,729)</b>	<b>(584,616)</b>	<b>(716,517)</b>	<b>(1,301,133)</b>
<b>Movement in reserves during 2021/22:</b>										
Total Comprehensive (Income) and Expenditure	172,576	0	69,991	0	0	148	0	242,715	(492,831)	(250,116)
Adjustments between accounting basis and funding basis under regulations	8 (163,244)	0	(81,567)	0	14,249	(13,236)	(3,656)	(247,454)	247,454	0
<b>Net (increase) / decrease before transfers to reserves</b>	<b>9,332</b>	<b>0</b>	<b>(11,576)</b>	<b>0</b>	<b>14,249</b>	<b>(13,088)</b>	<b>(3,656)</b>	<b>(4,739)</b>	<b>(245,377)</b>	<b>(250,116)</b>
Transfers (to) / from reserves	33 (9,332)	9,332	11,335	2,218	(13,553)	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>9,332</b>	<b>(241)</b>	<b>2,218</b>	<b>696</b>	<b>(13,088)</b>	<b>(3,656)</b>	<b>(4,739)</b>	<b>(245,377)</b>	<b>(250,116)</b>
<b>Balance at 31 March 2022</b>	<b>(12,851)</b>	<b>(352,350)</b>	<b>(8,023)</b>	<b>(1,953)</b>	<b>(98,141)</b>	<b>(78,652)</b>	<b>(37,385)</b>	<b>(589,355)</b>	<b>(961,894)</b>	<b>(1,551,249)</b>

## 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 2022		As at 31 March 2023	
£000		Notes	£000
692	Intangible Assets	27	0
3,183,512	Property, Plant and Equipment	23/23A	3,411,363
54,884	Heritage Assets	25	55,225
18,780	Investment Properties	26	18,630
0	Long Term Investments	14	5,000
125,507	Long term Debtors	16	119,522
0	Pension Asset	45	140,316
<b>3,383,375</b>	<b>Long Term Assets</b>		<b>3,750,056</b>
182,000	Short Term Investments	14	150,000
1,624	Inventories		2,261
207,179	Short Term Debtors	17	168,451
212,536	Cash and Cash Equivalents	14 / 18	222,001
7,684	Assets Held for Sale	28	7,795
<b>611,023</b>	<b>Current Assets</b>		<b>550,508</b>
(15,665)	Short Term Borrowing	14	(27,795)
(305,143)	Short Term Creditors	19	(272,374)
(12,107)	Short Term Provisions	20	(10,898)
(20,657)	PFI / PPP Finance Lease Liability	14 / 24	(18,614)
(45,086)	Capital Grants Receipts in Advance	12	(58,504)
<b>(398,658)</b>	<b>Current Liabilities</b>		<b>(388,185)</b>
(897,489)	Long Term Borrowing	14	(887,407)
(16,237)	Long Term Provisions	20	(10,893)
(320,120)	PFI / PPP Finance Lease Liability	14 / 24	(301,506)
(744,427)	Pension Liability	45	0
(33,206)	Other Long Term Liabilities	21	(14,629)
(7,131)	Revenue Grants Receipts in Advance	12	(6,685)
(25,881)	Capital Grants Receipts in Advance	12	(20,459)
<b>(2,044,491)</b>	<b>Long Term Liabilities</b>		<b>(1,241,579)</b>
<b>1,551,249</b>	<b>Net Assets</b>		<b>2,670,800</b>
(589,355)	Usable Reserves	34	(574,825)
(961,894)	Unusable Reserves	35	(2,095,975)
<b>(1,551,249)</b>	<b>Total Reserves</b>		<b>(2,670,800)</b>

The Statement of Accounts was reapproved and authorised for issue by the Director of Finance and Commercial Services, in accordance with the Accounts and Audit (England) Regulations 2015 on 16 April 2024.

These financial statements may be amended following audit review.

Philip Gregory  
Director of Finance & Commercial Services (Section 151 Officer)  
16 April 2024

## 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.

2021/22		Notes	2022/23
£000			£000
(242,567)	Net surplus or (deficit) on the provision of services		(129,057)
403,685	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	270,185
(72,246)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(101,447)
<b>88,872</b>	<b>Net cash flow from operating activities</b>		<b>39,681</b>
(79,917)	Investing activities	37	(30,290)
42,784	Financing activities	38	74
<b>51,739</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>9,465</b>
160,797	Cash and cash equivalents at 1 April	18	212,536
<b>212,536</b>	<b>Cash and cash equivalents at 31 March</b>	18	<b>222,001</b>

## Expenditure and Funding Analysis (EFA) Statement

The Expenditure and Funding Analysis (EFA) Statement is a supporting statement to the primary statements and 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).

2022/23	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
		£000	£000	£000	£000	£000	£000
	<b>Notes</b>				5		
	People	304,378	(602)	<b>303,776</b>	21,598	0	<b>325,374</b>
	Schools	0	4,591	<b>4,591</b>	7,523	0	<b>12,114</b>
	City Futures	34,052	409	<b>34,461</b>	1,207	0	<b>35,668</b>
	Operational Services (excluding HRA)	111,449	0	<b>111,449</b>	64,507	(904)	<b>175,052</b>
	Policy, Performance & Communications	3,627	0	<b>3,627</b>	1,968	0	<b>5,595</b>
	Resources	8,074	68	<b>8,142</b>	5,031	0	<b>13,173</b>
	Corporate	(456,567)	13,550	<b>(443,017)</b>	(90,831)	534,110	<b>262</b>
	Total General Fund (GF)	5,013	18,016	<b>23,029</b>	11,003	533,206	<b>567,238</b>
	Housing Revenue Account (HRA)	0	(10,401)	<b>(10,401)</b>	105,426	(7,599)	<b>87,426</b>
	<b>Net Cost of Services</b>	<b>5,013</b>	<b>7,615</b>	<b>12,628</b>	<b>116,429</b>	<b>525,607</b>	<b>654,664</b>
	Other Income & Expenditure GF	0	0	0	0	(533,206)	<b>(533,206)</b>
	Other Income & Expenditure HRA	0	0	0	0	7,599	<b>7,599</b>
	<b>Other Income &amp; Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(525,607)</b>	<b>(525,607)</b>
	<b>(Surplus) / Deficit</b>	<b>5,013</b>	<b>7,615</b>	<b>12,628</b>	<b>116,429</b>	<b>0</b>	<b>129,057</b>
	Opening General Fund and HRA Balance at 1 April	(375,177)					
	(Surplus) / Deficit on General Fund and HRA Balance at 31 March	12,628					
	Other Movements	5,843					
	<b>Closing General Fund and HRA Balance at 31 March*</b>	<b>(356,706)</b>					

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

2021/22 Comparative information	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
	Notes	£000	£000	£000	£000	£000	£000
					5		
People		284,827	(1,189)	283,638	26,050	0	309,688
Schools		0	(755)	(755)	6,827	0	6,072
Place (excluding HRA)		133,085	(261)	132,824	54,940	1,252	189,016
Policy, Performance & Communications		3,083	0	3,083	1,143	0	4,226
Resources		10,494	(1,303)	9,191	3,816	0	13,007
Corporate		(411,699)	(6,950)	(418,649)	70,468	346,415	(1,766)
Total General Fund (GF)		19,790	(10,458)	9,332	163,244	347,667	520,243
Housing Revenue Account (HRA)		0	(11,576)	(11,576)	81,567	(11,405)	58,586
<b>Net Cost of Services</b>	5A	<b>19,790</b>	<b>(22,034)</b>	<b>(2,244)</b>	<b>244,811</b>	<b>336,262</b>	<b>578,829</b>
Other Income & Expenditure GF		0	0	0	0	(347,667)	(347,667)
Other Income & Expenditure HRA		0	0	0	0	11,405	11,405
<b>Other Income &amp; Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(336,262)</b>	<b>(336,262)</b>
<b>Surplus) / Deficit</b>	5A	<b>19,790</b>	<b>(22,034)</b>	<b>(2,244)</b>	<b>244,811</b>	<b>0</b>	<b>242,567</b>
Opening General Fund and HRA Balance at 1 April		(386,486)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(2,244)					
Other Movements		13,553					
<b>Closing General Fund and HRA Balance at 31 March*</b>		<b>(375,177)</b>					

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

## 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

The prior period is restated so that 2021/22 is presented in a comparable way to 2022/23. The restatement is due to the split of the Place portfolio into the City Futures and Operational Services portfolios.

### 02. Events After the Reporting Date

The Statement of Accounts was reauthorised for issue by Philip Gregory, Director of Finance and Commercial Services on 16 April 2024. 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<sup>st</sup> March 2023, 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

There were no exceptional items in the year to 31<sup>st</sup> March 2023 (2021/22 – none).

### 04. Acquired and Discontinued Operations

#### Acquired Operations

No operations were acquired in the year to 31<sup>st</sup> March 2023 (2021/22 – none).

#### Discontinued Operations

No operations were discontinued in the year to 31<sup>st</sup> March 2023 (2021/22 – none).

**05. Note to the Expenditure and Funding Analysis (EFA) Statement**

<b>2022/23</b>				
<b>Adjustments from General Fund to arrive at the CI&amp;ES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
People	(5,835)	27,311	122	21,598
Schools	0	7,523	0	7,523
City Futures	30	965	212	1,207
Operational Services (excluding HRA)	71,046	19,663	(26,202)	64,507
Policy, Performance & Communications	1,111	0	857	1,968
Resources	12,594	9,952	(17,515)	5,031
Corporate	(137,904)	30,307	16,766	(90,831)
<b>Total General Fund (GF)</b>	<b>(58,958)</b>	<b>95,721</b>	<b>(25,760)</b>	<b>11,003</b>
Housing Revenue Account (HRA)	105,426	0	0	<b>105,426</b>
<b>Net Cost of Services</b>	<b>46,468</b>	<b>95,721</b>	<b>(25,760)</b>	<b>116,429</b>
Other Income & Expenditure	0	0	0	<b>0</b>
<b>Difference between General Fund Surplus / Deficit and CI&amp;ES Surplus / Deficit</b>	<b>46,468</b>	<b>95,721</b>	<b>(25,760)</b>	<b>116,429</b>

<b>2021/22 Comparative Information</b>				
<b>Adjustments from General Fund to arrive at the CI&amp;ES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
People	10,390	17,970	(2,310)	26,050
Schools	0	6,827	0	6,827
Place (excluding HRA)	73,247	15,654	(33,961)	54,940
Policy, Performance & Communications	0	0	1,143	1,143
Resources	12,947	9,715	(18,846)	3,816
Corporate	37,537	22,418	10,513	70,468
<b>Total General Fund (GF)</b>	<b>134,121</b>	<b>72,584</b>	<b>(43,461)</b>	<b>163,244</b>
Housing Revenue Account (HRA)	81,567	0	0	<b>81,567</b>
<b>Net Cost of Services</b>	<b>215,688</b>	<b>72,584</b>	<b>(43,461)</b>	<b>244,811</b>
Other Income & Expenditure	0	0	0	<b>0</b>
<b>Difference between General Fund Surplus / Deficit and CI&amp;ES Surplus / Deficit</b>	<b>215,688</b>	<b>72,584</b>	<b>(43,461)</b>	<b>244,811</b>

## 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).

**07. Expenditure and Income Analysed by Nature**

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

2021/22 £000		2022/23 £000
	<b>Income:</b>	
(815,824)	Revenue Grants & Other Contributions	(799,402)
(27,264)	Capital Grants & Contributions	(52,544)
(243,906)	Income from Council Tax	(254,547)
(106,164)	Income from Non-domestic Rates	(100,388)
(648)	Interest and Investment Income	(7,733)
(7,307)	Sales	(8,067)
(117,500)	Fees and Charges	(132,384)
(128,034)	Recharges	(133,920)
(145,871)	Dwelling Rents	(151,601)
(48,619)	Other Income	(45,249)
<b>(1,641,137)</b>		<b>(1,685,835)</b>
	<b>Expenditure:</b>	
513,176	Employee Expenditure	559,975
92,605	Premises Expenditure	111,790
23,411	Transport Expenditure	27,812
273,372	Supplies & Services	284,519
368,708	Third Party Payments	374,164
139,300	Transfer Payments	134,011
41,610	Support Services	41,371
183,858	Depreciation, Amortisation & Impairment	190,846
638	Precepts & levies	654
70,889	Interest payable & Similar Charges	69,858
3,340	Payment to the Housing Capital Receipts Pool	0
146,712	(Gain) / loss on the disposal of assets	(1,775)
21,884	Pension interest cost, administration expenses and return on plan assets	22,050
(717)	(Surplus) / deficit on Trading Operations	1,800
4,918	Other Expenses	(2,183)
<b>1,883,704</b>		<b>1,814,892</b>
<b>242,567</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>129,057</b>



**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.

2022/23	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Un- applied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Notes</b>						34	35	
<b>Reversal of items debited or credited to the CI&amp;ES:</b>								
Depreciation of Non-current assets	(51,507)	0	(24,733)	0	0	(76,240)	76,240	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	12,585	(109,966)	0	0	0	(97,381)	97,381	0
Movements in fair value of Investment Properties	(150)	0	0	0	0	(150)	150	0
Capital grants and contributions credited to the CI&ES	68,371	0	0	0	(5,628)	62,743	(62,743)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	4,507	4,507	(4,507)	0
Revenue expenditure funded from capital under statute	(17,075)	0	0	0	0	(17,075)	17,075	0
Costs of disposal funded from capital receipts	(20)	0	0	20	0	0	0	0
Net gain / (loss) on sale of non-current assets	(2,738)	4,513	0	(33,152)	0	(31,377)	31,377	0
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements	1,253	0	0	0	0	1,253	(1,253)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(148,783)	0	0	0	0	(148,783)	148,783	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	24,500	0	0	0	0	24,500	(24,500)	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	8	0	0	0	0	8	(8)	0
<b>Insertion of items not debited or credited to the CI&amp;ES:</b>								
Statutory provision for repayment of debt (MRP)	49,547	0	0	0	0	49,547	(49,547)	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	(56)	0	0	56	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Employer's contribution to pension scheme	53,062	0	0	0	0	53,062	(53,062)	0
<b>Capital Financing:</b>								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	16,944	0	16,944	(16,944)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	47,398	0	0	47,398	(47,398)	0
<b>Total</b>	<b>(11,003)</b>	<b>(105,426)</b>	<b>22,665</b>	<b>(16,132)</b>	<b>(1,121)</b>	<b>(111,017)</b>	<b>111,017</b>	<b>0</b>

2021/22 – Comparative Information

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Un-applied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
						34	35	
<b>Notes</b>								
<b>Reversal of items debited or credited to the CI&amp;ES:</b>								
Depreciation of Non-current assets	(57,827)	0	(25,620)	0	0	(83,447)	83,447	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	2,086	(82,943)	0	0	0	(80,857)	80,857	0
Movements in fair value of Investment Properties	(380)	0	0	0	0	(380)	380	0
Capital grants and contributions credited to the CI&ES	45,649	0	0	0	(7,230)	38,419	(38,419)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	3,574	3,574	(3,574)	0
Revenue expenditure funded from capital under statute	(19,173)	0	0	0	0	(19,173)	19,173	0
Costs of disposal funded from capital receipts	(164)	0	0	164	0	0	0	0
Net gain / (loss) on sale of non-current assets	(148,061)	1,349	0	(26,851)	0	(173,563)	173,563	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	1,250	0	0	0	0	1,250	(1,250)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(122,122)	0	0	0	0	(122,122)	122,122	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	42,850	0	0	0	0	42,850	(42,850)	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	(639)	0	0	0	0	(639)	639	0
<b>Insertion of items not debited or credited to the CI&amp;ES:</b>								
Statutory provision for repayment of debt (MRP)	47,179	0	0	0	0	47,179	(47,179)	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	(90)	0	0	90	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	49,538	0	0	0	0	49,538	(49,538)	0
<b>Capital Financing:</b>								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	10,021	0	10,021	(10,021)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	39,869	0	0	39,869	(39,869)	0
<b>Total</b>	<b>(163,244)</b>	<b>(81,567)</b>	<b>14,249</b>	<b>(13,236)</b>	<b>(3,656)</b>	<b>(247,454)</b>	<b>247,454</b>	<b>0</b>

## 09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2021/22		2022/23
£000		£000
638	Precepts (paid to non-principal authorities)	654
3,340	Payments to the housing capital receipts pool	0
146,712	(Gain) / loss on the disposal of non-current assets	(1,775)
1,248	Pension Administration Expenses	1,352
<b>151,938</b>	<b>Total</b>	<b>231</b>

## 10. Financing and Investment Income and Expenditure

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

2021/22		2022/23
£000		£000
70,889	Interest payable and similar charges	69,858
20,636	Pensions interest cost and expected return on pensions assets	20,698
(648)	Interest receivable and similar income	(7,733)
(717)	(Surplus) / Deficit on Trading Undertakings	1,800
(763)	Income and Expenditure in relation to Investment Properties and changes to their fair value	(961)
<b>89,397</b>	<b>Total</b>	<b>83,662</b>



**12. Grant Income**

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

2021/22 £000		2022/23 £000
	<b>Credited to Services:</b>	
(32,080)	Clinical Commissioning Group	(25,750)
(36)	Department for Business, Energy and Industrial Strategy	0
(76,727)	Department of Levelling Up, Housing, Communities	(133,718)
(2,315)	Department for Digital, Culture, Media & Sport	(1,249)
(243,749)	Department for Education	(293,409)
(985)	Department for Environment, Food and Rural Affairs	(1,218)
(145,010)	Department for Work and Pensions	(143,974)
(70,065)	Department of Health & Social Care	(42,641)
(10,107)	English Local Government	(5,982)
(2,388)	Home Office	(3,166)
(1,083)	Ministry of Justice	(831)
(1,688)	Other	(4,124)
<b>(586,233)</b>	<b>Total</b>	<b>(656,062)</b>
	<b>Credited to Taxation and Non Specific Grant Income:</b>	
	<i>Non-ring fenced Government Grants:</i>	
(176,387)	Department for Levelling Up, Housing & Communities	(177,933)
(23,975)	Education Funding Agency	(23,974)
99	Other	(114)
<b>(200,263)</b>		<b>(202,021)</b>
<b>0</b>	<b>Donated Assets</b>	<b>0</b>
	<i>Capital Grants and Contributions:</i>	
(2,559)	Department for Levelling Up, Housing & Communities	(4,718)
(7,513)	Department for Education	(9,711)
(674)	Department for Environment, Food and Rural Affairs	(3,175)
(47)	Department of Health	0
(119)	Department of Energy & Climate Change	0
(203)	National Heritage Memorial Fund	0
(76)	Tees Valley Combined Authority	0
(1,328)	Department for Transport	(2,828)
(4,369)	South Yorkshire Mayoral Combined Authority	(21,527)
(10,376)	Other	(10,585)
<b>(27,264)</b>		<b>(52,544)</b>
<b>(227,527)</b>	<b>Total</b>	<b>(254,565)</b>

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 22		31 March 23
£000		£000
	<b>Revenue Grants Receipts in Advance:</b>	
(19,994)	Department for Business, Energy and Industrial Strategy	(2,166)
(72,400)	Department for Levelling Up, Housing & Communities	(35,242)
(3,160)	Department for Education	(5,020)
(12)	Department for Environment, Food and Rural Affairs	(108)
(4,308)	Department of Health and Social Care	(765)
(1,647)	Department for Work and Pensions	(2,644)
(412)	Home Office	(1,223)
(7,167)	Department for Transport	(25)
(5,420)	Other	(9,003)
<b>(114,520)</b>	<b>Total</b>	<b>(56,196)</b>

31 March 22		31 March 23
£000		£000
	<b>Capital Grants Receipts in Advance:</b>	
(857)	Department for Business, Energy and Industrial Strategy	0
(62)	Department for Digital, Culture, Media & Sport	(61)
(10,827)	Department for Levelling Up, Housing & Communities	(11,698)
(17,250)	Department for Education	(21,858)
(90)	Department for Environment, Food, and Rural Affairs	(63)
(9,332)	Department for Transport	(10,607)
(2,114)	Department of Health & Social Care	(2,054)
0	English Local Government	0
(4,056)	South Yorkshire Mayoral Combined Authority	(3,555)
(10)	Sport England	0
(26,369)	Other	(29,067)
<b>(70,967)</b>	<b>Total</b>	<b>(78,963)</b>

### 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 to by the Department to fund academy schools in the Council's area.

DSG is ringfenced and can only be applied to meet expenditure properly included in the School's Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The School's Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

2022/23				2021/22 Comparative Information			
	Central Expenditure £000	Individual Schools Budget £000	Total £000		Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2022/23 before Academy recoupment	42,954	486,096	<b>529,050</b>	Final DSG for 2021/22 before Academy recoupment	38,360	463,467	<b>501,827</b>
Academy figure recouped for 2022/23	(2,454)	(297,388)	<b>(299,842)</b>	Academy figure recouped for 2021/22	(2,094)	(283,143)	<b>(285,237)</b>
<b>Total DSG after Academy recoupment for 2022/23</b>	<b>40,500</b>	<b>188,708</b>	<b>229,208</b>	<b>Total DSG after Academy recoupment for 2021/22</b>	<b>36,266</b>	<b>180,324</b>	<b>216,590</b>
Brought forward from 2021/22	8,478	0	<b>8,478</b>	Brought forward from 2020/21	12,555	0	<b>12,555</b>
Carry forward to 2023/24 agreed in advance	0	0	<b>0</b>	Carry forward to 2022/23 agreed in advance	0	0	<b>0</b>
<b>Agreed initial budgeted DSG distribution in 2022/23</b>	<b>48,978</b>	<b>188,708</b>	<b>237,686</b>	<b>Agreed initial budgeted DSG distribution in 2021/22</b>	<b>48,821</b>	<b>180,324</b>	<b>229,145</b>
In year adjustments	0	273	<b>273</b>	In year adjustments	0	(478)	<b>(478)</b>
<b>Final budgeted distribution for 2022/23</b>	<b>48,978</b>	<b>188,981</b>	<b>237,959</b>	<b>Final budgeted distribution for 2021/22</b>	<b>48,821</b>	<b>179,846</b>	<b>228,667</b>
Less Actual central expenditure	(37,632)	0	<b>(37,632)</b>	Less Actual central expenditure	(40,343)	0	<b>(40,343)</b>
Less Actual ISB deployed to schools	0	(188,981)	<b>(188,981)</b>	Less Actual ISB deployed to schools	0	(179,846)	<b>(179,846)</b>
<b>Plus Local Authority contribution for 2022/23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Plus Local Authority contribution for 2021/22</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carry forward to 2023/24</b>	<b>11,346</b>	<b>0</b>	<b>11,346</b>	<b>Carry forward to 2022/23</b>	<b>8,478</b>	<b>0</b>	<b>8,478</b>

#### 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 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 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 i.e., those 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 2022			31 March 2023	
Current £000	Long Term £000		Current £000	Long Term £000
<b>Financial Assets</b>				
182,000	0	- Investments	150,000	5,000
92	0	- Accrued Interest	1,654	0
<b>182,092</b>	<b>0</b>	<b>Total Investments (at amortised cost)</b>	<b>151,654</b>	<b>5,000</b>
205,215	0	- Short-term deposits	208,125	0
72	0	- Accrued Interest	687	0
<b>205,287</b>	<b>0</b>	<b>Total short-term deposits &amp; accrued interest (at amortised cost)</b>	<b>208,812</b>	<b>0</b>
104,084	4,268	- Debtors (at amortised cost)	78,737	4,240
0	103,636	- Debtors (at FVPL)	0	108,519
<b>104,084</b>	<b>107,904</b>	<b>Total Debtors</b>	<b>78,737</b>	<b>112,759</b>
<b>491,463</b>	<b>107,904</b>	<b>Total Financial Assets</b>	<b>439,203</b>	<b>117,759</b>
<b>Financial liabilities (at amortised cost)</b>				
(8,000)	(890,418)	- Borrowings	(20,000)	(880,418)
(7,665)	0	- Accrued Interest	(7,795)	0
0	(7,071)	- Accounting Adjustments	0	(6,989)
<b>(15,665)</b>	<b>(897,489)</b>	<b>Total borrowing</b>	<b>(27,795)</b>	<b>(887,407)</b>
(20,657)	(320,120)	PFI and finance lease liabilities	(18,614)	(301,506)
<b>(36,322)</b>	<b>(1,217,609)</b>	<b>Total other long-term liabilities</b>	<b>(46,409)</b>	<b>(1,188,913)</b>
<b>(124,566)</b>	<b>(40,783)</b>	<b>- Creditors</b>	<b>(147,709)</b>	<b>(14,629)</b>
<b>(160,888)</b>	<b>(1,258,392)</b>	<b>Total Financial Liabilities</b>	<b>(194,118)</b>	<b>(1,203,542)</b>
<b>0</b>	<b>78</b>	<b>Soft Loans Provided</b>	<b>0</b>	<b>59</b>

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 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** – Total borrowing has decreased as no new borrowing was taken and existing loans were repaid.

## 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).

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 2022/23 consists exclusively of this loan.

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

31 March 2022		31 March 2023
£000		£000
96	<b>Opening Balance</b>	78
0	New Loans	0
2	Increase /(Decrease) in the Discounted Amount	1
0	Fair Value Adjustment	0
(20)	Loan Repayment	(20)
<b>78</b>	<b>Balance Carried Forward</b>	<b>59</b>
<b>81</b>	<b>Nominal Value Carried Forward</b>	<b>61</b>

## 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 of Note 15.

### 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. This is in line with our accounting policy for Property, Plant & Equipment set out in the Accounting Policies.

In accordance with this policy, we have capitalised interest of £5.85m (£4.72m 2021/22) using a capitalisation rate of 3.47% (3.55% 2021/22) 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 Gains / Losses

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

2021/22				2022/23		
Financial Liabilities	Financial Assets Loans and Receivable	Total		Financial Liabilities	Financial Assets Loans and Receivable	Total
£000	£000	£000		£000	£000	£000
(33,330)	0	(33,330)	Interest expense	(34,057)	0	(34,057)
(37,975)	0	(37,975)	Interest on PFI scheme liabilities	(35,806)	0	(35,806)
(4)	0	(4)	Expected credit loss impairment	5	0	5
<b>(71,309)</b>	<b>0</b>	<b>(71,309)</b>	<b>Interest payable and similar charges</b>	<b>(69,858)</b>	<b>0</b>	<b>(69,858)</b>
0	648	648	Interest income	0	7,733	7,733
<b>0</b>	<b>648</b>	<b>648</b>	<b>Interest and investment income</b>	<b>0</b>	<b>7,733</b>	<b>7,733</b>
<b>(71,309)</b>	<b>648</b>	<b>(70,661)</b>	<b>Net gain / (loss) for the year</b>	<b>(69,858)</b>	<b>7,733</b>	<b>(62,125)</b>

## 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<sup>st</sup> March 2023 (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 2022		Fair Value of Liabilities	31 March 2023	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(596,570)	(671,133)	PWLB debt	(596,651)	(497,396)
(309,513)	(457,166)	Non-PWLB debt	(311,562)	(296,224)
(340,777)	(340,777)	PFI / PPP Liabilities	(320,120)	(320,120)
(165,349)	(165,349)	Creditors	(162,338)	(162,338)
<b>(1,412,209)</b>	<b>(1,634,425)</b>	<b>Total Financial Liabilities</b>	<b>(1,390,671)</b>	<b>(1,276,078)</b>

The table above reflects the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is now lower than the

rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from the commitment to pay interest to lenders below current market rates.

31 March 2022			31 March 2023		
Carrying Amount £000	Fair Value £000	Fair Value of Assets	Carrying Amount £000	Fair Value £000	
205,287	205,287	Short term deposits & Accrued Interest (at amortised cost)	208,125	208,125	
182,092	181,370	Investments (at amortised cost)	155,000	156,481	
108,352	108,352	Debtors (at amortised cost)	82,977	82,977	
103,636	103,636	Debtors (at FVPL)	108,519	108,519	
<b>599,367</b>	<b>598,645</b>	<b>Total Financial Assets</b>	<b>554,621</b>	<b>556,102</b>	

The Council holds Investments of £95m in short term loans and £5m in long term to Other Local Authorities. The Council also has £55m across three different call and fixed deposits with UK banks. As the majority of 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 the potential adverse effects on the 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 and CIPFA Code of Practice on Treasury Management in 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 2<sup>nd</sup> March 2022 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.
- Credit Default Swap (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 2022/23 was approved by Full Council 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 line 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 is 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 recoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2023 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
<b>Opening balance as at 1 April 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,043</b>	<b>4,043</b>
Adjustment - ECL	0	0	0	0	0
<b>Adjusted opening balance as at 1 April 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,043</b>	<b>4,043</b>
Transfers:					
Individual financial assets transferred to 12 month ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL	0	0	0	100	100
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	(105)	(105)
Other changes	0	0	0	0	0
<b>As at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,038</b>	<b>4,038</b>

The table below shows that the Council's outstanding investment balance as at 31<sup>st</sup> March 2023 was £155m, (£182m at 31<sup>st</sup> March 2022):

31 March 2022 – Comparative Information					31 March 2023			
12-month expected credit losses	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount (£000)	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount (£000)
	Barclays Bank	A	UK	20,000	Barclays Bank	A	UK	£20,000
	Bank of Scotland	A+	UK	20,000	Lloyds	A+	UK	£15,000
	Santander	A	UK	20,000	Standard Chartered	A+	UK	£20,000
	Standard Chartered	A+	UK	20,000	Local Authorities	AA-	UK	£100,000
	Local Authorities	AA-	UK	102,000				

As at 31 March 2023 the Council held £20m with Barclays Bank (default risk 0.012%), £15m with Lloyds (default risk 0.017%) and £20m with Standard Chartered (default risk 0.014%). Whilst immaterial this adds up to an expected loss of £8k across these investments. Expected losses with other authorities are required to be excluded.

Other funds held at the year-end (£208.1) 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 £27.7m (£29.8m for 2021/22) shown in the following table are all debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2022		31 March 2023
£000		£000
12,361	Less than three months	17,952
2,579	Three to six months	2,038
5,201	Six months to one year	2,332
9,675	More than one year	5,369
<b>29,816</b>	<b>Total</b>	<b>27,691</b>

The Council's bad debt impairment at 31<sup>st</sup> March 2023 is £107.4m (£100.8m for 2021/22). Of this, £7.2m (£7.4m for 2021/22) 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 set a balanced budget in accordance with 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 £208.1m as at 31<sup>st</sup> March 2023 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:

2021/22			2022/23			
Principal	Accrued Interest	Principal plus Interest		Principal	Accrued Interest	Principal plus Interest
£000	£000	£000		£000	£000	£000
8,000	14,736*	22,736	Less than 1 year	20,000	14,784*	34,784
10,000	0	10,000	Between 1 & 2 years	12,000	0	12,000
42,068	0	42,068	Between 2 & 5 years	40,691	0	40,691
86,472	0	86,472	Between 5 & 10 years	98,845	0	98,845
751,878	0	751,878	More than 10 years	728,882	0	728,882
<b>898,418</b>	<b>14,736</b>	<b>913,154</b>	<b>Total</b>	<b>900,418</b>	<b>14,784</b>	<b>915,202</b>

\* This includes £7,995k of accrued interest, the remaining balance is for the effective interest rate adjustment which reduces over the life of the underlying loans.

The maturity analysis of financial assets is:

2021/22				2022/23		
Principal	Accrued Interest	Principal plus Interest		Principal	Accrued Interest	Principal plus Interest
£000	£000	£000		£000	£000	£000
182,000	92	182,092	Less than 1 year	150,000	1561	151,561
0	0	0	Between 1 and 2 years	5,000	95	5,095
<b>182,000</b>	<b>92</b>	<b>182,092</b>	<b>Total</b>	<b>155,000</b>	<b>1,656</b>	<b>156,656</b>

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).

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 several 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 £160m worth of variable rate debt. At the 31<sup>st</sup> March 2023, the amount of variable rate debt was £160m.

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 *	1,600
Increase in interest receivable on variable rate investments **	(2,663)
Increase in government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	<b>(1,063)</b>
Share of overall impact debited to the HRA***	(400)
Decrease in fair value of fixed rate investment assets****	0
Impact on Other Comprehensive Income and Expenditure *****	<b>0</b>
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)	<b>77,920</b>

**Notes:**

\* All of the borrowing raised from the PWLB and £138m of Market loans were at fixed rates in 2021/22 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 (£160m) 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 with any premiums being payable. There were no LOBOs called during 2022/23). For the purposes of this note the average rate of these loans (4.67%) 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 2022/23

\*\*\* HRA share is 37.58% 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 and increase in interest receivable

\*\*\*\* There were £135m fixed term investments held at the year end which were classified as fixed held with Local Authorities and UK Banks . There was one variable bank deposits totalling £20m, 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<sup>st</sup> March 2023 the Council has a euro denominated account although the balance was zero.

**16. Long Term Debtors**

The following is an analysis of Long Term Debtors:

31 March 2022		31 March 2023
£000		£000
3,551	Up Front Contributions for Private Finance Initiative (PFI) Schemes	3,112
31	Housing Advances	31
556	Charges Over Assets	531
9,170	Sheffield City Trust Major Sporting Facilities Prepayment	0
108,519	Sheffield City Trust	112,169
1,748	Grosvenor - lease rental	1,658
	<i>Loans to Third Parties:</i>	
93	- Manor and Castle Development Trust	102
56	- Business Improvement District	42
1,783	- Sheffield Housing Company	1,877
<b>125,507</b>	<b>Total</b>	<b>119,522</b>

**Sheffield City Trust**

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<sup>st</sup> March 2023 is £9.2m (£18.3m in 2021/22) now all shown as a short term debtor.

The debtor of £112.2m as at 31<sup>st</sup> March 2023 (£108.5m in 2021/22) represents the value of the Major Sporting Facilities property assets, which have been revalued in 2022/23 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**

31 March 2022			31 March 2023		
Total Debtors Gross	Less Impairments for Bad Debts	Net of Impairments	Total Debtors Gross	Less Impairments for Bad Debts	Net of Impairments
£000	£000	£000	£000	£000	£000
28,319	0	28,319	45,909	0	45,909
4,107	0	4,107	4,737	0	4,737
6,303	0	6,303	3,391	0	3,391
13,254	(10,519)	2,735	13,776	(10,529)	3,247
136,486	(69,738)	66,748	120,467	(75,770)	44,697
3,521	0	3,521	2,548	0	2,548
9,170	0	9,170	9,170	0	9,170
106,806	(20,530)	86,276	75,903	(21,151)	54,752
<b>307,966</b>	<b>(100,787)</b>	<b>207,179</b>	<b>275,901</b>	<b>(107,450)</b>	<b>168,451</b>

**18. Cash and Cash Equivalents**

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

31 March 2022		31 March 2023
£000		£000
7,370	Cash at Bank	13,987
30	Petty Cash Floats	33
205,215	Short Term Deposits	208,125
(79)	Other	(144)
<b>212,536</b>	<b>Total</b>	<b>222,001</b>

In accordance with the accounting policy for Cash and Cash Equivalents detailed in Accounting Policies, we do not include third party balances which as at 31<sup>st</sup> March 2023 was £12.3m (£9.8m as at 31<sup>st</sup> March 2022).

**19. Short Term Creditors**

31 March 2022		31 March 2023	
£000		£000	
(117,947)	Central Government Bodies	(65,753)	
(4,454)	Other Local Authorities	(7,422)	
(2,895)	NHS Bodies	(1,941)	
(4,734)	Housing Tenants	(5,045)	
(51,184)	Local Taxpayers and NNDR	(59,662)	
(11,457)	Capital Projects	(13,886)	
(11,271)	Accumulated Absences	(11,263)	
(101,201)	Other Entities and Individuals	(107,402)	
<b>(305,143)</b>	<b>Total</b>	<b>(272,374)</b>	

**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
At 1 April 2022	(5,729)	(15,423)	(116)	(1,693)	(5,383)	<b>(28,344)</b>
Additional Provisions	0	0	(42)	0	(3,700)	<b>(3,742)</b>
Amounts Used	0	168	116	564	1,376	<b>2,224</b>
Unused Amounts Reversed	1,016	5,126	0	0	1,929	<b>8,071</b>
<b>At 31 March 2023</b>	<b>(4,713)</b>	<b>(10,129)</b>	<b>(42)</b>	<b>(1,129)</b>	<b>(5,778)</b>	<b>(21,791)</b>
<b>Comprising of:</b>						
Short Term	(4,205)	(2,423)	(42)	(564)	(3,663)	<b>(10,898)</b>
Long Term	(508)	(7,706)	0	(565)	(2,115)	<b>(10,893)</b>
	<b>(4,713)</b>	<b>(10,129)</b>	<b>(42)</b>	<b>(1,129)</b>	<b>(5,778)</b>	<b>(21,791)</b>

## Insurance

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

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

## Business Rates Appeals

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

## 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<sup>st</sup> March 2023 they have not yet left the Council.

## HRA - Week 53 Rent Deferred Credit

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

## Other

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

## 21. Other Long Term Liabilities

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

31 March 2022		31 March 2023
£000		£000
(15,598)	Deferred liabilities – PFI deferred revenue	(14,629)
(17,608)	Deferred liabilities – Sheffield City Trust	0
<b>(33,206)</b>	<b>Total</b>	<b>(14,629)</b>

## Deferred Liabilities

As at 31<sup>st</sup> March 2023 the Council has recognised deferred revenue of £8.4m that relates to the Council's Waste PPP scheme and £6.2m that relates to the Council's Highways PFI scheme.

The Council previously had 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<sup>st</sup> March 2023 is £17.6m (£34.2m as at 31<sup>st</sup> March 2022) all of which is now shown in the Short Term Creditors Note as due within 12 months (£17.6m in 2021/22 in this note and £16.6m in 2021/22 in Short Term Creditors).

## 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.

### Sheffield Museums Trust

Museums Sheffield has merged with Sheffield Industrial Museums Trust to become Sheffield Museums Trust. In the event of a service 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 is 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 Sheffield Museums Trust 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<sup>st</sup> March 2023 this risk could be valued at £180k.

### **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 2022/23 that will be based on experience of recent years and the most recent trends in how appeal cases have been settled over the last year.

The total Collection Fund provision for losses due to appeals amounted to £31.5m in 2021/22. In 2022/23 the total Collection Fund provision has been reduced to £20.7m based on the currently outstanding cases.

It is extremely difficult to predict when new appeals may be lodged by ratepayers, and what the likely outcome and cost implications of these new appeals may be. Furthermore, the Council is affected by national issues outside of its control, for example due to case law or new legislation. It is not possible to estimate with certainty what the probable cost of these issues may be.

**23. Property, Plant and Equipment (PPE)**

Movements in 2022/23	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
<b>Cost or Valuation:</b>								
At 1 April 2022	1,524,752	509,977	95,323	1,014	241,738	210,286	2,583,090	85,863
Additions - programmed investment	36,609	11,813	3,887	2,687	10,287	77,053	142,336	51
Revaluation increases / (decreases) recognised in the Revaluation Reserve	183,378	61,697	(48)	0	(2,817)	0	242,210	(158)
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(127,286)	16,856	0	(2,687)	(7,296)	0	(120,413)	548
De-recognition – disposals	(18,486)	(2,924)	(1,408)	0	(9,850)	0	(32,668)	0
De-recognition – other	0	0	0	0	0	0	0	0
Reclassification and transfers	35,659	291	0	0	15,754	(52,015)	(311)	0
<b>At 31 March 2023</b>	<b>1,634,626</b>	<b>597,710</b>	<b>97,754</b>	<b>1,014</b>	<b>247,816</b>	<b>235,324</b>	<b>2,814,244</b>	<b>86,304</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2022	0	(2,627)	(31,296)	0	(472)	0	(34,395)	0
Depreciation charge	(23,797)	(14,270)	(6,398)	0	(4,053)	0	(48,518)	(3,846)
Depreciation written out to the Revaluation Reserve	11,036	12,736	2,819	0	2,478	0	29,069	3,604
Depreciation written out to the Surplus / Deficit on the Provision of Services	12,813	1,918	0	0	1,441	0	16,172	242
Impairment (losses) / reversals recognised in the Revaluation Reserve	(3,477)	0	0	0	0	0	(3,477)	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	3,477	0	0	0	0	0	3,477	0
De-recognition - disposals	0	83	1,408	0	0	0	1,491	0
De-recognition - other	0	0	0	0	0	0	0	0
Reclassification and Transfers	(52)	5	0	0	47	0	0	0
<b>At 31 March 2023</b>	<b>0</b>	<b>(2,155)</b>	<b>(33,467)</b>	<b>0</b>	<b>(559)</b>	<b>0</b>	<b>(36,181)</b>	<b>0</b>
<b>Net book value:</b>								
<b>At 31 March 2023</b>	<b>1,634,626</b>	<b>595,555</b>	<b>64,287</b>	<b>1,014</b>	<b>247,257</b>	<b>235,324</b>	<b>2,778,063</b>	<b>86,304</b>
At 31 March 2022	1,524,752	507,350	64,027	1,014	241,266	210,286	2,548,695	85,863

Movements in 2021/22 – Comparative Information	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
<b>Cost or Valuation:</b>								
At 1 April 2021	<b>1,488,278</b>	<b>500,619</b>	<b>93,282</b>	<b>3,227</b>	<b>244,765</b>	<b>146,432</b>	<b>2,476,603</b>	<b>85,613</b>
Additions - programmed investment	25,073	7,859	4,390	1,656	2,226	67,373	<b>108,577</b>	17
Revaluation increases / (decreases) recognised in the Revaluation Reserve	134,851	11,877	(397)	(6,295)	4,513	0	<b>144,549</b>	342
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(104,373)	(690)	0	(3,012)	(2,421)	0	<b>(110,496)</b>	(109)
De-recognition – disposals	(17,780)	(9,235)	(1,911)	0	(3,758)	0	<b>(32,684)</b>	0
De-recognition – other	0	0	0	0	0	0	<b>0</b>	0
Reclassification and transfers	(1,297)	(453)	(41)	5,438	(3,587)	(3,519)	<b>(3,459)</b>	0
<b>At 31 March 2022</b>	<b>1,524,752</b>	<b>509,977</b>	<b>95,323</b>	<b>1,014</b>	<b>241,738</b>	<b>210,286</b>	<b>2,583,090</b>	<b>85,863</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2021	<b>0</b>	<b>(2,089)</b>	<b>(30,348)</b>	<b>0</b>	<b>(215)</b>	<b>0</b>	<b>(32,652)</b>	<b>0</b>
Depreciation charge	(25,024)	(13,205)	(5,612)	0	(3,960)	0	<b>(47,801)</b>	(3,681)
Depreciation written out to the Revaluation Reserve	7,598	8,451	2,687	117	2,295	0	<b>21,148</b>	3,509
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,426	4,118	0	25	1,389	0	<b>22,958</b>	172
Impairment (losses) / reversals recognised in the Revaluation Reserve	(2,247)	0	0	0	0	0	<b>(2,247)</b>	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	2,247	0	0	0	0	0	<b>2,247</b>	0
De-recognition - disposals	0	14	1,911	0	27	0	<b>1,952</b>	0
De-recognition - other	0	0	0	0	0	0	<b>0</b>	0
Reclassification and Transfers	0	84	66	(142)	(8)	0	<b>0</b>	0
<b>At 31 March 2022</b>	<b>0</b>	<b>(2,627)</b>	<b>(31,296)</b>	<b>0</b>	<b>(472)</b>	<b>0</b>	<b>(34,395)</b>	<b>0</b>
<b>Net book value:</b>								
<b>At 31 March 2022</b>	<b>1,524,752</b>	<b>507,350</b>	<b>64,027</b>	<b>1,014</b>	<b>241,266</b>	<b>210,286</b>	<b>2,548,695</b>	<b>85,863</b>
At 31 March 2021	1,488,278	498,530	62,934	3,227	244,550	146,432	<b>2,443,951</b>	85,613

## 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 2023 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 onwards. Future years committed costs are £106.7m. The major commitments are:

31 March 2022		Notes	31 March 2023
£000			£000
2,753	Schools Refurbishment / Education Provision	1	5,616
75,594	Council Housing Investment / Growth	2	44,561
37,033	Leisure ( <i>includes MSF payments</i> )	3	19,194
64,234	Regeneration	4	30,844
7,012	Highways Infrastructure	5	3,025
5,459	Other Infrastructure	6	1,995
1,548	Social Care		1,467
<b>193,633</b>	<b>Total</b>		<b>106,702</b>

The main changes since 2021/22 are:

### 1. Schools Refurbishment / Education Provision

Increase due to new school expansion scheme.

### 2. Council Housing Investment / Growth

Reduction due to contractor on major roofing replacement scheme entering administration.

### 3. Leisure

Reduction relates to payment of 1 further year of MSF bond.

### 4. Regeneration



Decrease reflects Heart of The City II regeneration scheme moving into final phases.

#### **5. Highways Infrastructure**

Reduction reflects completion of Clean Air Zone Infrastructure.

#### **6. Other Infrastructure**

Reduction reflects Upper Don Valley Flood scheme approaching completion.

### **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 – Land and Property 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 Department for Levelling Up, Housing & Communities (DLUHC).

As part of the 5 year rolling programme, 20% of the beacons have been revalued this year, as at 31<sup>st</sup> March 2023. A general market adjustment of 5.961% has then been applied to all remaining Council dwellings to give a value as at 31<sup>st</sup> March 2023.

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.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	12,879	15,346	5,069	33,294
Valued at Fair Value as at:					
31 March 2023	1,634,626	567,699	48,941	155,285	2,406,551
31 March 2022	0	3,743	0	8,168	11,911
31 March 2021	0	203	0	32,869	33,072
31 March 2020	0	4,383	0	31,108	35,491
31 March 2019	0	6,648	0	14,758	21,406
<b>Total Cost or Valuation</b>	<b>1,634,626</b>	<b>595,555</b>	<b>64,287</b>	<b>247,257</b>	<b>2,541,725</b>

### 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:

2022/23				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2023
	£000	£000	£000	£000
Assets valued using Market Approach	0	124,818	1,802	126,620
Assets valued by Income Approach - Ground Rents	0	29,358	0	29,358
Assets valued by Income Approach - Other	0	21,056	70,223	91,279
<b>Total</b>	<b>0</b>	<b>175,232</b>	<b>72,025</b>	<b>247,257</b>

2021/22 - Comparative Information				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Assets valued using Market Approach	0	114,514	1,807	116,321
Assets valued by Income Approach	0	24,475	0	24,475
De minimis Assets	0	27,019	73,451	100,470
<b>Total</b>	<b>0</b>	<b>166,008</b>	<b>75,258</b>	<b>241,266</b>

### 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.

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 2022	166,008	75,258	241,266
Transfers between levels	4	(4)	0
Additions	9,621	666	10,287
Revaluation increases / (decreases)	(2,035)	(4,159)	(6,194)
De-recognition (disposals)	(9,850)	0	(9,850)
Transfers (to) / from other PPE categories	12,121	3,680	15,801
Depreciation charge	(637)	(3,416)	(4,053)
<b>At 31 March 2023</b>	<b>175,232</b>	<b>72,025</b>	<b>247,257</b>

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

#### Significant Observable Inputs – Level 2

Valuations conducted using the market approach and the income approach take account of current market conditions, in that recent sales prices / rentals achieved and other relevant information for similar assets in Sheffield or comparable cities are used as significant inputs to the valuation. Market conditions for these assets are such that similar properties are actively purchased, sold and leased, meaning that the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Since 2018/19, the Council has adopted a portfolio approach to the valuation of its freehold reversionary interests in land leased out on long-term low value ground rents. These assets are measured using the income approach, by means of the discounted cash flow method, whereby the future rental income expected to flow to the Council from the assets is discounted (using a market-derived discount rate) to establish the present value of the net income stream. In most cases, the valuation will also incorporate the present value of the reversion to market value or market rent at the end of the lease term. This approach has been developed using the Council's own data as well as by reference to current market comparables, factoring in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

### Significant Unobservable Inputs – Level 3

The majority of the value of assets categorised as Level 3 in the fair value hierarchy can be attributed to Grosvenor House, which forms part of the Heart of the City II regeneration programme. This asset is valued by external surveyors Cushman & Wakefield 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.

The remainder of the asset valuations categorised as Level 3 in the fair value hierarchy are historical, in that the assets were previously considered de minimis for valuation purposes and are outside of the scope of the portfolio approach detailed above which has been adopted since 2018/19. As these valuations are not based on up-to-date market evidence and conditions, the inputs are considered to be unobservable. These asset valuations will be subject to ongoing review as part of asset register improvement projects with a view to being brought into the Council's 5 year rolling programme of valuations.

## 23A. Infrastructure Assets

### Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets, because historical reporting and records were not kept in the format now required. Until further guidance is available reporting a net position is appropriate and provides the asset position for users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021/22			2022/23	
Infrastructure Assets £000	PFI Assets included in Infrastructure £000		Infrastructure Assets £000	PFI Assets included in Infrastructure £000
<b>Net Book Value (modified historical cost)</b>				
791,866	268,955	At 1 April	634,817	270,609
16,650	9,386	Additions - Programmed Investment	25,512	11,126
(138,744)	0	Derecognition - Other	0	0
(34,955)	(7,732)	Depreciation Charge	(27,029)	(7,967)
<b>634,817</b>	<b>270,609</b>	<b>Net book value at 31 March</b>	<b>633,300</b>	<b>273,768</b>

2021/22 £000		2022/23 £000
<b>Net Book Value at 31 March</b>		
634,817	Infrastructure assets	633,300
2,548,695	Other PPE assets	2,778,063
<b>3,183,512</b>	<b>Total PPE assets</b>	<b>3,411,363</b>

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## 24. Service Concessions – Private Finance Initiatives (PFI) and Public Private Partnership Arrangements (PPP)

### PFI and Similar Contracts

At 31<sup>st</sup> March 2023 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2022/23. 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:

2021/22	2022/23					
Total	Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000	£000	£000	£000	£000	£000	£000
131,563	20,657	36,203	69,598	(1,183)	11,828	137,103

Note: Actual invoice payments totalled £137,627k. 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:

2021/22		2022/23
£000		£000
(360,408)	Value of the liability as at 1 April	(340,777)
0	Opening balance adjustment	0
19,631	Finance lease rental	20,657
<b>(340,777)</b>	<b>Value of liability as at 31 March</b>	<b>(320,120)</b>
	<b>Comprising of:</b>	
(20,657)	Short Term	(18,614)
(320,120)	Long Term	(301,506)
<b>(340,777)</b>		<b>(320,120)</b>

## PFI Payments Due to be Made

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

2021/22		2022/23					
Total		Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000		£000	£000	£000	£000	£000	£000
150,402	Within one year	18,614	34,344	73,080	11,659	15,687	153,384
625,039	Between two and five years	78,238	120,222	301,734	48,515	76,551	625,260
778,070	Between six and ten years	108,947	109,783	377,240	63,879	113,332	773,181
719,867	Between eleven and fifteen years	113,394	51,386	298,868	76,242	92,787	632,677
69,721	Between sixteen and twenty years	927	654	2,610	4,004	0	8,195
<b>2,343,099</b>	<b>Total</b>	<b>320,120</b>	<b>316,389</b>	<b>1,053,532</b>	<b>204,299</b>	<b>298,357</b>	<b>2,192,697</b>

Note: Actual payments due total £2,201,088k. The difference of £8,390k 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 2022/23 show the estimated payments due calculated by the models in 2022/23 for 2023/24 onwards to the end of the contract's life.



**25. Heritage Assets**

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

2022/23	Reported at Cost		Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
<b>Cost or Valuation:</b>							
At 1 April 2022	22	48	50,000	1,000	3,761	60	54,891
Additions – programmed investment	0	0	9	0	1	256	266
Donated Assets	0	0	0	0	0	0	0
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	342	0	342
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	(9)	0	(1)	(256)	(266)
Reclassification and transfers	0	0	0	0	0	0	0
<b>At 31 March 2023</b>	<b>22</b>	<b>48</b>	<b>50,000</b>	<b>1,000</b>	<b>4,103</b>	<b>60</b>	<b>55,233</b>
<b>Depreciation and Impairment:</b>							
At 1 April 2022	(7)	0	0	0	0	0	(7)
Depreciation	(1)	0	0	0	0	0	(1)
<b>At 31 March 2023</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8)</b>
<b>Net Book Value:</b>							
At 31 March 2023	14	48	50,000	1,000	4,103	60	55,225
At 31 March 2022	15	48	50,000	1,000	3,761	60	54,884

2021/22 Comparative Information	Reported at Cost		Reported at Valuation				Total Assets £000
	Museums and Galleries £000	Civic Collections £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	
<b>Cost or Valuation:</b>							
At 1 April 2021	22	48	50,000	1,000	3,651	60	54,781
Additions – programmed investment	0	0	1	0	12	436	449
Donated Assets	0	0	0	0	0	0	0
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	110	0	110
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	(1)	0	(12)	(436)	(449)
Reclassification and transfers	0	0	0	0	0	0	0
<b>At 31 March 2022</b>	<b>22</b>	<b>48</b>	<b>50,000</b>	<b>1,000</b>	<b>3,761</b>	<b>60</b>	<b>54,891</b>
<b>Depreciation and Impairment:</b>							
At 1 April 2021	(6)	0	0	0	0	0	(6)
Depreciation	(1)	0	0	0	0	0	(1)
<b>At 31 March 2022</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7)</b>
<b>Net Book Value:</b>							
At 31 March 2022	15	48	50,000	1,000	3,761	60	54,884
At 31 March 2021	16	48	50,000	1,000	3,651	60	54,775

## Museums and Galleries

### Sheffield Museums

Sheffield's collections are of local, regional, and national importance and are used in research, displays, exhibitions and public programmes. Over one million items are stored at a purpose-built facility and displayed across Sheffield Museums' six sites comprising Abbeydale Industrial Hamlet, Graves Gallery, Kelham Island Museum, Millennium Gallery, Shepherd Wheel, and Weston Park Museum and also at the volunteer run Bishops' 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 20<sup>th</sup> 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 20<sup>th</sup> 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.
- **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.

### **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.

### **Bishops' House**

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

### **Civic Collections**

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield's industries. The artefacts are displayed throughout the Town Hall and include the statue of the first Lord Mayor of Sheffield, the 15<sup>th</sup> 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 17<sup>th</sup> 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:

2021/22		2022/23
£000		£000
(1,143)	Rental income from investment property	(1,111)
<b>(1,143)</b>	<b>Net (gain)/loss</b>	<b>(1,111)</b>

The assets held as Investment Properties are known as the small and large format advertising hoardings contract. The Council are under separate Contracts for each format both of which derive a rental income and places 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 base events and activities.

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

2021/22		2022/23
£000	<b>Cost or Valuation</b>	£000
19,160	Balance at 1 April	18,780
(380)	Revaluations	(150)
<b>18,780</b>	<b>Balance at 31 March</b>	<b>18,630</b>

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<sup>st</sup> March 2023 are as follows:

2022/23				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2023
	£000	£000	£000	£000
Advertising Hoardings	0	18,630	0	18,630
<b>Total</b>	<b>0</b>	<b>18,630</b>	<b>0</b>	<b>18,630</b>

2021/22 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 2022 £000
Advertising Hoardings	0	18,780	0	18,780
<b>Total</b>	<b>0</b>	<b>18,780</b>	<b>0</b>	<b>18,780</b>

### 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 – Land and Property 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:

2021/22		2022/23
£000		£000
	<b>Net Carrying Amount:</b>	
1,382	At 1 April	692
1	Additions	1
0	Revaluation Increases / (decreases) recognised in the Surplus / Deficit of Provision of services	(1)
(691)	Amortisation charge	(692)
<b>692</b>	<b>At 31 March</b>	<b>0</b>

## 28. Assets Held for Sale

2021/22		2022/23
£000		£000
8,312	Balance at 1 April	7,684
7,469	Assets newly classified as Held for Sale from Property, Plant and Equipment	7,780
(4,010)	Assets declassified as held for sale	(7,469)
(4,087)	Assets sold	(200)
<b>7,684</b>	<b>Balance at 31 March</b>	<b>7,795</b>



**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.

2021/22		2022/23
£000		£000
	<b>Capital Investment</b>	
125,227	Property, Plant and Equipment*	167,848
1	Intangible Assets*	1
449	Heritage Assets*	266
15,570	Sheffield City Trust	16,559
19,173	Revenue Expenditure Funded from Capital Under Statute	17,075
<b>160,420</b>		<b>201,749</b>
	<b>Sources of Finance</b>	
41,994	Government Grants and Other Contributions	67,250
9,386	PFI Lease Liability	11,126
39,869	Major Repairs Reserve	47,398
10,021	Capital Receipts Reserve	16,944
59,150	Borrowing	59,031
<b>160,420</b>		<b>201,749</b>
	<b>Capital Financing Requirement</b>	
1,549,957	Opening Balance	1,571,287
59,150	Borrowing in Year	59,031
(47,206)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(49,574)
9,386	PFI Liabilities recognised in year	11,126
<b>1,571,287</b>	<b>Closing Balance</b>	<b>1,591,870</b>

\* 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:

2021/22		2022/23
<b>£000</b>		<b>£000</b>
403	Not later than one year	242
429	Later than one year and not later than five years	224
4,854	Later than five years	4,820
<b>5,686</b>	<b>Total</b>	<b>5,285</b>

The above principally consists of Council office accommodation leases.

**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:

2021/22		2022/23
<b>£000</b>		<b>£000</b>
5,898	Not later than one year	6,410
22,736	Later than one year and not later than five years	24,826
57,117	Later than five years	56,596
<b>85,751</b>	<b>Total</b>	<b>87,831</b>

The above mainly consists of a large number of small value long term leases, principally for the lease of land and also Grosvenor House, a Heart of the City II property.

### 31. Long Term Contracts

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

In previous years the Council had an 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 annual payments from the Council to SCT, which will continue until 2024. Payments to SCT in year are detailed in Note 41, Related Party Transactions.

### 32. Impairment Losses

There were no impairment charges in 2022/23. However, there were reversals of previous impairments of £54.8m (£46m in 2021/22), mainly relating to an improvement to previous impairments 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 2022/23.

		1 April 2021	Transfer Out 2021/22	Transfer In 2021/22	31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	31 March 2023
	Note	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked General Fund Reserves:</b>								
Schools Reserves	34	(29,545)	3,322	0	(26,223)	1,723	0	(24,500)
Revenue Grants and Contributions	34	(19,140)	1,265	0	(17,875)	1,395	0	(16,480)
<i>Other Earmarked Revenue Reserves:</i>	34							
- Insurance Fund		(8,969)	0	(1,970)	(10,939)	218	0	(10,721)
- New Homes Bonus (NHB)		(18,884)	0	(2,250)	(21,134)	1,355	0	(19,779)
- Major Sporting Facilities		(32,825)	0	(10,403)	(43,228)	0	(2,282)	(45,510)
- Invest to Save		(8,290)	7,415	0	(875)	0	(1,416)	(2,291)
- PFI Future Expenditure		(32,933)	4,083	0	(28,850)	3,150	0	(25,700)
- Public Health		(2,051)	0	(4,079)	(6,130)	0	(716)	(6,846)
- Service Area Reserves		(21,078)	0	(3,275)	(24,353)	213	0	(24,140)
- Children's and Adult Social Care		(4,420)	0	(1,417)	(5,837)	2,794	0	(3,043)
- Collection Fund		(81,725)	31,891	0	(49,834)	16,409	0	(33,425)
- Capital Charges		(13,885)	0	(1,500)	(15,385)	0	(4,900)	(20,285)
- Heart of the City II		0	0	(5,980)	(5,980)	0	0	(5,980)
- Other Reserves		(87,937)	0	(7,770)	(95,707)	19,864	(16,087)	(91,930)
<b>Total</b>		<b>(361,682)</b>	<b>47,976</b>	<b>(38,644)</b>	<b>(352,350)</b>	<b>47,121</b>	<b>(25,401)</b>	<b>(330,630)</b>

**34. Usable Reserves**

The following table summarises the Usable Reserves balances:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Reserves:</b>	
(78,652)	Capital Receipts Reserve	(94,784)
(98,141)	Major Repairs Reserve	(84,829)
(37,385)	Capital Grants Unapplied Reserve	(38,506)
(214,178)		(218,119)
	<b>Revenue Reserves:</b>	
(12,851)	General Fund	(15,051)
	Earmarked General Fund Reserves:	
(26,223)	Schools Reserves	(24,500)
(17,875)	Revenue Grants and Contributions	(16,480)
(308,252)	Other Earmarked Revenue Reserves	(289,650)
(8,023)	Housing Revenue Account Balance	(8,661)
(1,953)	Earmarked Housing Revenue Account Reserve	(2,364)
(375,177)		(356,706)
<b>(589,355)</b>	<b>Total</b>	<b>(574,825)</b>

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 2022		31 March 2023	
£000		£000	
(12,851)	General Balances Available		(15,051)
<b>(12,851)</b>	<b>Total</b>		<b>(15,051)</b>

The General Fund Balance was £15.1m at 31<sup>st</sup> March 2023, representing 3.4% of the 2022/23 Net Budget Requirement (NRB) of £443.8m. This has been increased slightly in line with the minimum prudent level recommended by the Director of Finance and Commercial Services of 3% of NRB. 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 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 2022		31 March 2023
£000		£000
(26,223)	Schools Reserves	(24,500)
(17,875)	Revenue Grants and Contributions	(16,480)
	<i>Other Earmarked Revenue Reserves:</i>	
(49,834)	- Collection Fund	(33,425)
(43,228)	- Major Sporting Facilities	(45,510)
(28,850)	- PFI Future Expenditure	(25,700)
(24,353)	- Service Area Reserves	(24,140)
(21,134)	- New Homes Bonus	(19,779)
(15,385)	- Capital Charges	(20,285)
(10,939)	- Insurance Fund	(10,721)
(6,130)	- Public Health	(6,846)
(5,980)	- Heart of the City II	(5,980)
(5,837)	- Children's and Adult Social Care	(3,043)
(875)	- Invest to Save	(2,291)
(95,707)	- Other Reserves	(91,930)
<b>(352,350)</b>	<b>Total</b>	<b>(330,630)</b>

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. 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.
- Collection Fund: This reserve has traditionally been required to cover potential reductions in Business Rate income following future successful appeals. In recent years this has also had significant retail relief from government carried forward at year end. As this has now reduced there has been a significant drop in this reserve in 2022/23.
- Major Sporting Facilities: The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future payments due for the MSF debt (re: Ponds Forge, the Arena, and Hillsborough Leisure Centre). Some money has also been set aside for the city's future leisure strategy.
- 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.
- Service Area Reserves: These are a variety of service specific reserves agreed by Cabinet / Committees in previous years set aside for long term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund.
- New Homes Bonus (NHB): The Government pays all Councils NHB 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 Community Investment Fund.
- Capital Financing Charges: Funds required to support borrowing, Minimum Revenue Provisions (MRP) and other associated costs for capital programmes including the major sporting facilities, Heart of the City II project and Highways PFI.
- Insurance Fund: 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.
- 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.
- Heart of the City II: Funds set aside for future costs in relation to the city's Heart of the City II regeneration scheme.
- 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.



- Invest to Save: The Council has delivered a number of business transformation projects that are essential to the future success of the Council's operations, and which have been used to help offset budget pressures over the last few years. This will continue with support to deliver future savings identified, including a number of strategic reviews.
- Budget Contingency Reserve – This reserve is to cover budget shortfalls and overspends. £14.5m of this budget was used to fill the 2022/23 budget gap and a further £5m to cover the 2022/23 overspend.
- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, IT upgrades and energy costs.

### Housing Revenue Account Reserves

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

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

31 March 2022		31 March 2023	
£000		£000	
(8,023)	Housing Revenue Account Balance	(8,661)	
(1,953)	Earmarked Housing Revenue Account Reserve	(2,364)	
<b>(9,976)</b>	<b>Total</b>	<b>(11,025)</b>	

### 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 2022		31 March 2023	
£000		£000	
(78,652)	Capital Receipts Reserve	(94,784)	
<b>(78,652)</b>	<b>Total</b>	<b>(94,784)</b>	

## 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 2022		31 March 2023
£000		£000
(98,141)	Major Repairs Reserve	(84,829)
<b>(98,141)</b>	<b>Total</b>	<b>(84,829)</b>

## 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 2022		31 March 2023
£000		£000
(37,385)	Capital Grants Unapplied Reserve	(38,506)
<b>(37,385)</b>	<b>Total</b>	<b>(38,506)</b>

### 35. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2022		31 March 2023
£000		£000
	<b>Capital Reserves:</b>	
(882,018)	Revaluation Reserve	(1,130,627)
(886,548)	Capital Adjustment Account	(865,026)
(53)	Deferred Capital Receipts Reserve	(53)
<b>(1,768,619)</b>		<b>(1,995,706)</b>
	<b>Revenue Reserves:</b>	
40,944	Financial Instruments Adjustment Account	39,691
744,427	Pensions Reserve	(140,316)
10,083	Collection Fund Adjustment Account	(10,907)
11,271	Accumulated Absences Account	11,263
<b>806,725</b>		<b>(100,269)</b>
<b>(961,894)</b>	<b>Total</b>	<b>(2,095,975)</b>

#### 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, Heritage Assets 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.

2021/22 £000		2022/23 £000
(738,042)	<b>Balance at 1 April</b>	(882,018)
(193,990)	Upward revaluation of assets	(302,239)
30,430	Downward revaluation of assets and impairment losses	34,095
<b>(163,560)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(268,144)</b>
11,364	Difference between fair value depreciation and historical cost depreciation	14,300
8,220	Accumulated gains on assets sold or scrapped	5,235
0	Other	0
<b>19,584</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>19,535</b>
<b>(882,018)</b>	<b>Balance at 31 March</b>	<b>(1,130,627)</b>

## Capital Adjustment Account

2021/22		2022/23
£000		£000
(1,085,295)	<b>Balance at 1 April</b>	<b>(886,548)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b>	
83,447	Depreciation of non-current assets	76,240
80,857	Revaluation losses of non-current assets	97,381
380	Movement in fair value of Investment Properties	150
19,173	Revenue expenditure funded from capital under statute	17,075
173,563	Non-current assets written off on disposal	31,377
357,420		222,223
	<b>Adjusting amounts written out of the Revaluation Reserve:</b>	
(11,364)	Difference between fair value depreciation and historical cost depreciation	(14,300)
(8,220)	Accumulated gains on assets sold or scrapped	(5,235)
0	Other	0
(19,584)		(19,535)
<b>(747,459)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(683,860)</b>
	<b>Capital financing applied in the year:</b>	
(10,021)	Use of the Capital Receipts Reserve to finance new capital expenditure	(16,944)
(39,869)	Use of the Major Repairs Reserve to finance new capital expenditure	(47,398)
(38,419)	Capital grants and contributions credited to the CI&ES	(62,743)
(3,574)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(4,507)
(47,179)	Statutory provision for the repayment of debt	(49,547)
(27)	Voluntary provision for the repayment of debt	(27)
(139,089)		(181,166)
<b>(886,548)</b>	<b>Balance at 31 March</b>	<b>(865,026)</b>

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 (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.

2021/22		2022/23
£000		£000
(53)	Balance at 1 April	(53)
0	Transfer to the Capital Adjustment Account	0
(53)	Balance at 31 March	(53)

### Financial Instruments Adjustment Account

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

2021/22		2022/23
£000		£000
42,194	<b>Balance at 1 April</b>	<b>40,944</b>
(1,250)	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	<b>(1,253)</b>
<b>(1,250)</b>	<b>Amount by which finance costs charged to the CI&amp;ES are different from finance costs chargeable in the year in accordance with statutory requirements</b>	<b>(1,253)</b>
<b>40,944</b>	<b>Balance at 31 March</b>	<b>39,691</b>

### 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.

2021/22		2022/23
£000		£000
1,001,114	<b>Balance at 1 April</b>	<b>744,427</b>
(329,271)	Actuarial (gains) or losses on pensions assets and liabilities	(980,464)
122,122	Reversal of items relating to retirement benefits debited or credited to the CI&ES	148,783
(49,538)	Employer's pensions contributions and direct payments to pensioners payable in the year	(53,062)
<b>744,427</b>	<b>Balance at 31 March</b>	<b>(140,316)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and 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.

2021/22		2022/23
£000		£000
52,933	<b>Balance at 1 April</b>	10,083
(42,850)	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	(20,990)
<b>10,083</b>	<b>Balance at 31 March</b>	<b>(10,907)</b>

### Accumulated Absences Account

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

2021/22		2022/23
£000		£000
10,632	<b>Balance at 1 April</b>	11,271
639	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	(8)
<b>11,271</b>	<b>Balance at 31 March</b>	<b>11,263</b>



**36. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2021/22		2022/23
£000		£000
538	Interest Received	5,556
(91,507)	Interest Paid	(90,513)

**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:

2021/22		2022/23
£000		£000
82,756	Depreciation	75,548
80,857	Impairment and downward valuations	97,379
691	Amortisation	692
524	Deferred revenue / deferred payment agreements	970
17,570	Increase / (Decrease) in creditors	(51,552)
(25,954)	(Increase) / Decrease in debtors	27,460
(258)	(Increase) / Decrease in inventories	(637)
72,584	Movement in pension liability	95,722
173,564	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31,377
1,351	Other non-cash items charged to the net surplus or deficit on the provision of services	(6,774)
<b>403,685</b>	<b>Total</b>	<b>270,185</b>

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

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

2021/22		2022/23
£000		£000
(26,597)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(33,076)
(45,649)	Any other items for which cash effects are investing or financing cash flows	(68,371)
<b>(72,246)</b>	<b>Total</b>	<b>(101,447)</b>

### 37. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2021/22		2022/23
£000		£000
(124,422)	Purchase of property, plant and equipment, investment property and intangible assets	(165,687)
(122,000)	Purchase of short and long term investments	(155,000)
(58)	Other payments for investing activities	(103)
26,597	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	33,076
60,000	Proceeds from short term and long term investments	182,000
79,966	Other receipts from investing activities	75,424
<b>(79,917)</b>	<b>Net cash flow from investing activities</b>	<b>(30,290)</b>

### 38. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2021/22		2022/23
£000		£000
50,000	Cash receipts of short and long term borrowing	10,000
(19,631)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(20,657)
(18,737)	Repayment of short and long term borrowing	(18,399)
31,152	Other payments for financing activities	29,130
<b>42,784</b>	<b>Net cash flow from financing activities</b>	<b>74</b>

### 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.

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.

On 1st July 2023 NHS Sheffield Clinical Commissioning Group became NHS South Yorkshire ICB Sheffield Place (SPLC). 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, which was updated to reflect the change to the NHS organisation in year.

The 2022/23 Sheffield City Council value has had £66,730k of income added back to the position reported in year. This adjustment more accurately shows the gross resources of the pooled budget.

The following table summarises the contributions made by Sheffield City Council and NHS Sheffield Clinical Commissioning Group in Q1 NHS South Yorkshire ICB Sheffield Place for Q2 to Q4 into pooled budget arrangements, along with details of previous year's comparatives.

Service Area	2022/23			2021/22		
	NHS Sheffield CCG	Sheffield City Council	Total	NHS Sheffield CCG	Sheffield City Council	Total
	£000	£000	£000	£000	£000	£000
The Better Care Fund	317,932	220,800	538,732	300,888	237,845	538,733
<b>Total</b>	<b>317,932</b>	<b>220,800</b>	<b>538,732</b>	<b>300,888</b>	<b>237,845</b>	<b>538,733</b>

The NHS net contribution to the Better Care Fund for 2022/23 shown above is included within the expenditure recorded in note 45 to the NHS accounts (Services from foundation trusts £215,213k; Purchase of healthcare from non-NHS bodies £83,380k; GPMS/APMS and PCTMS £549k; Employees £93k; and Purchase of Social Care £18,697k).

The memorandum account for the pooled budget is:

### The Better Care Fund

	2022/23 £000	2021/22 £000
<b>Income</b>		
NHS Clinical Commissioning Group / SPLC	317,932	300,888
Sheffield City Council	220,800	237,845
<b>Total</b>	<b>538,732</b>	<b>538,733</b>
<b>Allocation of expenditure</b>		
Theme 1 - People Keeping Well in their Local Community	(13,189)	(13,049)
Theme 2 - Active Support and Recovery	(60,249)	(57,112)
Theme 3 - Independent Living Solutions	(10,605)	(10,095)
Theme 4 - Ongoing Care	(228,822)	(247,379)
Theme 5 - Adult inpatient Medical Emergency Admissions	(73,724)	(70,927)
Theme 6 - Mental Health	(142,710)	(133,721)
Theme 7 - Capital Grants	(8,064)	(6,450)
Additional Discharge Funded Schemes outside of Themes	(1,369)	0
<b>Total</b>	<b>(538,732)</b>	<b>(538,733)</b>

Additional funding has been added to the Better Care Fund in 2022/23 relating to Adult Social Care Discharge Funding and Step Down Funding for Discharge Care.

The actual costs are captured within the above values for both organisations and balance to the allocations/grant values:

	2022/23 £000
<b>ASC Discharge Funding:</b>	
NHS SY ICB SPLC	3,321
Sheffield City Council	2,254
	<b>5,575</b>
<b>Step Down Funding for Discharge Care:</b>	
NHS SY ICB SPLC	5,575
Sheffield City Council	94
<b>Total</b>	<b>5,669</b>

#### 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:

2021/22		2022/23
£000		£000
144	Fees payable with regard to external audit services carried out by the appointed auditor	144
54	Fees payable for the certification of grant claims and returns	55
3	Fees payable in respect of any other services provided over and above those listed above	3
<b>201</b>	<b>Total</b>	<b>202</b>

#### 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 2022/23 amounted to net payments of £36.7m (£186m for 2021/22). All such material related party transactions are disclosed either individually or in aggregate below.

##### Council Members

In respect of financial year 2022/23 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.

	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party	£000	£000	£000	£000	£000	£000
Total Related Parties	(28,553)	189,234	160,685	(1,602)	892	(706)

2022/23	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party		£000	£000	£000	£000	£000	£000
Amy's House Respite	1	(1)	119	118	7	0	7
Aspiring Communities Together	2	(2)	192	190	1	0	1
Autism Plus	3	(1)	308	307	1	(19)	(18)
Brightside Nursery Infant School	4	(1)	7	6	(0)	0	(0)
City of Sanctuary Sheffield	5	(1)	37	36	0	0	0
Fir Vale Children Centre	6	0	114	114	0	0	0
Grimesthorpe Family Centre	7	(0)	1	1	0	0	0
Sheffield City Centre BID	8	(154)	807	653	1	495	496
Sheffield City Trust	9	(53)	30,666	30,613	18	0	18
Sheffield Futures	10	(1)	162	161	(29)	0	(29)
Sheffield Galleries & Museums Trust	11	(168)	2,263	2,095	78	6	84
Sheffield Housing Company	12	(98)	0	(98)	137	0	137
Sheffield International Venues	13	0	20	20	(0)	0	(0)
Sheffield Parent & Carer Forum	14	0	41	41	(0)	0	(0)
Sheffield United Community Foundation	15	(1)	117	116	1	(1)	0
SOAR	16	(3)	1,127	1,124	0	0	0
STEP Development Trust	17	(6)	36	30	3	0	3
The River Stewardship Company	18	(0)	161	161	0	0	0
The Source (Meadowhall)	19	0	92	92	0	0	0
Tinsley Forum	20	0	18	18	0	0	0
Voluntary Action Sheffield	21	(1)	876	875	0	0	0

### Notes - relating to significant transactions

1. £81k Special Needs Inclusion Play care Service Contracted Holiday Club, £36k Grant Agreement for Works on Site.

2. £78k Adult Education Budget, £30k Mix of Entry 1/2 Skills, £15k Grant for Universal Youth Work, £10k English for online learning.
3. £193k Care & Support, £41k Pathways to Success, £27k Community Hub - Specialist.
4. £5k Special Educational Needs High Need Block Funding, £2k Looked-after Children Additional Funding.
5. £37k Core Grant.
6. £114k Day-care costs.
7. £0.5k Welcome Spaces Fund Grimesthorpe, £0.3k Polling Station Hire.
8. (£100k) Fees & Charges for several bids, (£20k) Brickosaurs lamppost banners, (£20k) 22/23 Charge for Bid Billing and Collection Service, (£8k) Monthly Charges for Unit 1 Winter Gardens. £801k Charge for Bid Sheffield Business Improvement.
9. (£20k) Don Valley Bowl Usage, (£12k) Rodent Control, (£5k) BID Second Term. £8.41m SCT Bond Principal, £8.15m MSF Financing Costs, £4.42m SIV Funding, £2.27m Repairs to SIV/SCT Venues, £1.88m SCT Bond Interest, £115k Pool Hire.
10. £70k Star House Rent, £29k Pathways to Success, £39k European Social Fund Grant, £15k Grant for Universal Youth Work in the city.
11. (£66k) Sheffield Museums Trust Insurance Recharge, (£16k) Norfolk St - The Crucible Ground Rent, (£5k) BID Second Term Year 2. £1.31m Galleries & Museums, £435k Sheffield Museums Trust, £100k Annual Lifecycle Funding, £21k Annual Grant for Shepherd Wheel, £10k Match Funding for Abbeydale Industrial Hamlet.
12. (£50k) Maintenance & Repair of Woodthorpe Ravine Playground, (£22k) SHC Services, (£9k) Bulky Collections.
13. £19k Hire of English Institute of Sport for Local Election Count.
14. £41k Delivery of Engagement of parents of children and young people with Special Educational Needs and Disability.
15. £65k Grant for Universal Youth Work, £25k City-Wide Provicer Summer Holiday, £10k SUCF Easter, £7k Winter Holidays and Food.
16. £329k Cold Weather Payments, £299k Holiday Activities and Food, £100k Resilient Communities, £68k People Keeping Well Dementia, £66k Pathways to Success, £57k Community Hub, £36k Summer Holiday, £35k Library Rent at Learning Zone, £24k Community Champions, £18k Half Term Healthy.
17. (£6k) Yearly Charges. £36k Premises.
18. £48k Shirebrook Valley County Park - Access Track, Ramp & Maintenance Platform, £46k Upper Don Valley Phase 1, £34k Shirebrook Nature Reserve Ochre Traps & Biological Barriers, £12k Various Design & Planning of Projects.
19. £28k European Social Fund Sector Routeways Project, £24k European Social Fund Advancing Digital Project, £14k Adult Education Budget Regulated Delivery.
20. £10k Associates Library Grant, £6k East Local Area Committee Grant, £2k Book Grant.
21. £192k Voluntary Action Sheffield Healthwatch, £142k Payment for Capacity Building, £132k Infra Grant, £57k Public Health Contribution, £50k Food Access Plan, £46k Covid Comp, £42k Payment for Training, £38k Funding for Food Development Worker, £34k Ambition: Support, £32k Capacity, £24k Rent Charge, £20k UK Shared Prosperity Fund Payment, £15k Venue Room Hire, £14k Core Grant.

2021/22 Comparative Information	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
<b>Related Party</b>							
Aspiring Communities Together	1	(14)	203	189	1	0	1
Autism Plus	2	(1)	417	416	(1)	0	(1)
City of Sanctuary Sheffield	3	(1)	114	113	(1)	0	(1)
Disability Sheffield Centre	4	(2)	108	106	(1)	0	(1)
Fir Vale Children Centre	5	0	110	110	0	0	0
Heeley City Farm	6	(3)	560	557	0	0	0
Learn Sheffield	7	(67)	816	749	(8)	0	(8)
Manor and Castle Development Trust	8	(1)	1,340	1,339	0	1	1
Sheffield City Trust	9	(27)	26,291	26,264	(11)	0	(11)
Seven Hills Leisure Trust	10	0	356	356	0	0	0
Sheffield City Centre BID	11	(71)	1,064	993	0	498	498
Sheffield Credit Union	12	0	261	261	0	0	0
Sheffield Futures	13	(1)	457	456	29	0	29
Sheffield Galleries & Museums Trust	14	(80)	2,252	2,172	(7)	0	(7)
Sheffield Hallam University	15	(231)	414	183	(48)	0	(48)
Sheffield Housing Company	16	(709)	3,219	2,510	(113)	0	(113)
Sheffield International Venues	17	0	1,251	1,251	0	0	0
Sheffield United Community Foundation	18	0	79	79	0	(1)	(1)
Sheffield Wednesday Football Club Community Programme	19	0	186	186	0	0	0
SOAR	20	(2)	1,421	1,419	0	0	0
Tinsley Forum	21	0	71	71	0	0	0
University of Sheffield	22	(178)	541	363	(50)	2	(48)
Voluntary Action Sheffield	23	(1)	744	743	0	0	0

**Notes - relating to significant transactions**

1. £32k on Adult Education Budget; £28.5k on transitional funding - learning; £20k SCC recovery fund; (£17k) adult education budget clawback.
2. £403k day care support payments; £12k COVID-19 support payments.
3. £45k SCC recovery fund; £37k total 1st and 2nd core grant; £20k COVID-19 response funding round 2 and 3.
4. £15k SCC recovery fund; £20k COVID-19 response funding; £15k E&F grants.
5. £107k Funded Early Learning (FEL) payments; £2k other childcare costs; £1k Early Years Professional Development training
6. £119k for HAF summer delivery; £77k for winter HAF locality; £51k CWP payment to Heeley Trust.
7. £349k education strategy payment; £123k Whole School contract payments; £52k trauma informed training; £65k Albion House costs; (£43k) PAS traded data service.
8. £822k regeneration grants; £15k for operations; £211k Signpost Project; £292k Sunshine Pre-school
9. £15.6m SCT Bond principal; £4.2m repairs to SIV venues; £2.9m SCT Bond interest; £2.4m SIV funding.
10. £222k Golf courses & Concord; £67k SIV trust payment; £67k Seven Hills Leisure Trust payment.



11. £582k Sheffield Business Improvement; £213k first 60% of NCD; £70k bid loan amount; (£66k) Winter Gardens monthly rent; (£20k) charge for bid billing and collection service.
12. £259k employee loan repayments via payroll deductions; £2k debt management services
13. £174k Star House license; £100k vulnerable young people funding grant; £71k Amber Project grant; £1121k Star House rent.
14. £1.4m Sheffield Museums trust payments; £339k Galleries & museums trust payment; £200k Sheffield museums trust lifecycle payment; (£25k) Acres Hill accommodation service charge; (£16k) services to Graves Art Gallery.
15. (£87k) secondment fees; (£49k) social work placements; (£39k) BID Levy; (£34k) RISE match funding; (£6k) lease income; £172k Funded Early Learning (FEL) payments; £120k Apprenticeship Levy payments; £53k behavioural research project funding; £30k RISE funding; £5k tuition fees
16. £3.2m HIF margin viability, Manor Cluster; (£646k) demand notice; (£20k) SHC services undertaken by SCC.
17. £1.2m Sheffield International Venues trust payments; £24k costs for hire of Ponds Forge for Council AGM.
18. £69k Healthy Activities with Food funding, £9k Active Through Football Consultation
19. £104k Healthy Activities with Food funding, £19k Alternative Provision funding
20. £295k summer HAF delivery in localities; £71k Burngreave Summer partner payments; £119k payments to CWP; £50k payment to SOAR for Resilient; £50k first half of PKW Payment.
21. £43k COVID-19 Recovery & Response Funding
22. (£38k) social work placements; (£37k) BID Levy; (£34k) RISE match funding; (£25k) contribution to Castlegate project; (£25k) contribution towards other project costs; (£10k) contribution to Sheffield City Partnership; (£3k) for transport services; (£1k) lease income; £177k Apprenticeship Levy payments
23. £192k Healthwatch VAS; £150k Community Champions grant payment; £132k INFRA grant; £155k payment to VAS for HAF NextGen Youth.

## 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:

2022/23	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
<b>Related Party</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
NHS	1	(2,437)	28,651	26,214	(526)	215	(311)
Other Local Authorities	2	(3,678)	4,496	818	(559)	98	(461)
Sheffield City Region Combined Authority	3	(18,036)	52,104	34,068	(710)	100	(610)
South Yorkshire Fire & Rescue Authority	4	(5)	12,867	12,862	(2)	0	(2)
South Yorkshire Pensions Authority	5	0	10,598	10,598	0	1	1
South Yorkshire Police and Crime Commissioner	6	(1,670)	33,391	31,721	(4)	0	(4)
SYPTA	7	(2,236)	9,963	7,727	(19)	0	(19)

### Notes - relating to significant transactions

1. (£779k) Transfer of Care Funding - Macmillan, (£513k) Recharge Costs, (£128k) Monthly Rent for Level 6 Moorfoot, (£92k) Lead Vaccine Coordinator, (£34k) Pest Control, (£28k) Cleaning. £5.2m Substance Misuse Program, £3.83m 2022-23 Specialist Sexual Health, £2.92m Halt Project, £2.18m SHSC Contract, £578k Smokefree Contract, £577k CCG Prescribing Contract, £562k Sheffield Health and Social Care NHS Foundation, £528k Sunshine Day Nursery, £485k Direct Payment audit reclaim, £475k Sexual Health Service

- for PrEP, £348k STEP, £316k Sheffield Children's Centre, £197k Building Successful Families, £120k Sheffield Oral Health (Dental) Contract, £162k To deliver the Integrated Practice, £107k Various Services provided to Children, £106k LD Case Register.
2. (£1.56m) Rotherham Furnished Accommodation, (£318k) Coroner Service, (£235k) Consulting Fees, (£204k) REMEDI Contract, (£154k) Mortuary Costs, (£102k) Barnsley Childcare Legal Support, (£100k) European Social Fund Advancing Digital Project, (£89k) Barnsley Archives, (£70k) European Social Fund BEA Claim, (£68k) Salary Recharge, (£43k) YORHUB Rebate, (£38k) DFE Safeguarding Project, (£38k) SYAS Annual Contribution, (£34k) SOVA Appropriate Adult Contract, (£31k) SY Archives, (£30k) 2022 Joint Chairs Fee, (£30k) Contribution to works at Angram Bank Park. £1.025m European Social Fund Grant, £674k 2022/23 Council Tax Precept, £568k Step Up to Social Work, £423k One Adoption South Yorkshire Contract, £258k Repaid Home Loans, £230k 2022-2023 Contributions for the Emergency Planning Shared Service, £119k DBS Checks 2022-2023, £116k Out of City Transport, £89k GHEP Claim payment, £44k Core Cities 2022/2023, £42k Mortuary Costs of Coroners Service.
  3. (£1.86m) Sheffield Local Transport Plan Funding 22-23, (£132k) Legal & Professional Fees, (£18k) Partner Contribution towards the costs of the Advanced Manufacturing Innovation District Programme Director. £22.64m Integrated Transport Authority Levy, £683k EZ Growth, £413k Transport Hub Subscription, £75k BASE Subscription, £15k Growth Hub Enhancement Project Claim Payment.
  4. £11.49m Council Tax Precept inc Surplus Share, £1.37m NNDR1 Rates Share Less Deficit.
  5. £5.75m Rechargeable Pensions Levy, £4.21m AFR Costs Approved, £495k Early Retirement Costs, £137k SYPA Levy.
  6. (£575k) Sheffield Criminal Justice Integrated Teams and Arrest Funding, (£244k) Community Safety 21/22, (£172k) Domestic Abuse Contract, (£117k) Youth Offending Team, (£117k) Police and Crime Commissioner Funding 2022/23 50%, (£107k) 2022-23 Sheffield Partnership Contribution, (£98k) Safer Streets Fund, (£97k) Complex Needs Independent Domestic Violence Advocates 2122 Q1-4, (£85k) Salary Recharge, (£20k) Mount Pleasant Park Lighting. £33m Council Tax Precept inc Surplus Share, £184k Universal Grant Funding, £83k Integrated Offender Management Police Contract, £14k Building Successful Families Grant.
  7. (£166k) Safer Roads Partnership Claims, (£74k) Spruce Development for the Supertram Journey time Improvements, (£45k) CDS. £588k Zero fare bus passes for the academic, £395k S106 funds: Commuted Sums Transfer, £100k SCC Contribution to Woodbourn Road, £50k South Yorkshire Safety Camera Partnership Contribution, £24k Repairs and Maintenance - Broad Street West.

2021/22 Comparative information	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
<b>Related Party</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
NHS	1	(13,717)	22,149	8,432	(1,865)	5	(1,860)
Other Local Authorities	2	(4,863)	59,381	54,518	(539)	7	(532)
South Yorkshire Mayoral Combined Authority	3	(4,563)	35,840	31,277	(629)	0	(629)
South Yorkshire Fire & Rescue Authority	4	(4)	11,367	11,363	(5)	0	(5)
South Yorkshire Pensions Authority	5	(3)	8,256	8,253	0	0	0
South Yorkshire Police and Crime Commissioner	6	(1,547)	29,124	27,577	(188)	0	(188)
SYPTA	7	(1,781)	5,656	3,875	0	0	0

#### Notes - relating to significant transactions

- £3.8m reversal of a prior credit note; £630k Smokefree adults contract payment; £3.9m Sheffield Teaching Hospital costs; (£128k) Moorfoot Level 6 rent; (£4.6m HDP and Silver non-recurrent funding).
- £530k One Adoption fees; £453k P2S ESF grants; £450k P2P Ambition grants; £50k perpetrator contribution; £113k DBS checks; £64k out of city transport; £271k contribution to Emergency Planning Shared Service; (£386k) income from Wellington House; (£357k) from Coroner's service; (£441k) PPE stock settlement; (£819k) local authority accommodation short term care; (£1.01m) provision of furnished goods to RMBC; (£182k) provision of creative services; (£105k) TCP grant; (£71k) contribution to reparation & victim contract; (£62k) child school disability support; (£253k) mortuary services; (£226k) YORBUILD major work.
- £22.6m ITA levy; £4.3m repayment of SCR loan; £678k EZ Growth; £413k transport hub subscription; £377k repayment of SCR grant overclaim; £75k BASE subscription; (£1.8m) LTP grant income; (£314k) enterprise adviser network grant.
- £10.3m precept net of council tax deficit; £1.08m retained rates less NNDR deficit.
- £5.8m rechargeable pensions; £140k SYPA levy; £54k AFR costs.
- £28.8m precept net of council tax deficit; £130k IOM police contract; £68k Sheffield Community safety partnership.
- £597k zero fare bus passes; £144k annual contribution to the South; (£687k) COVID-19 related school travel; (£113k) permit charges, (£112k) SRP grant.

#### 42. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2022/23:

2021/22		2022/23
£000		£000
	<b>Councillors:</b>	
1,073	Basic Allowance	1,282
318	Special Responsibility Allowance	326
13	Expenses	17
<b>1,404</b>		<b>1,625</b>
	<b>Co-optees:</b>	
0	Basic Allowance	0
<b>1,404</b>	<b>Total</b>	<b>1,625</b>

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 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:

2022/23						
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 - Kate Josephs		202,391	0	<b>202,391</b>	38,454	<b>240,846</b>
Executive Director - People	1	65,215	0	<b>65,215</b>	12,391	<b>77,606</b>
Strategic Director - Adults' Care and Wellbeing	2	111,139	0	<b>111,139</b>	21,116	<b>132,255</b>
Interim Strategic Director - Children's Services	3	112,692	0	<b>112,692</b>	21,408	<b>134,100</b>
Executive Director - Operational Services - Ajman Ali		154,158	0	<b>154,158</b>	29,290	<b>183,447</b>
Executive Director - City Futures - Kate Martin		153,279	0	<b>153,279</b>	29,123	<b>182,402</b>
Director of Public Health		130,461	34	<b>130,495</b>	18,599	<b>149,094</b>
Executive Director - Resources - Eugene Walker	4	211,367	0	<b>211,367</b>	16,845	<b>228,212</b>
Director of Legal and Governance	5	50,606	0	<b>50,606</b>	9,640	<b>60,246</b>
Interim Director of Legal and Governance	6	87,245	0	<b>87,245</b>	15,674	<b>102,919</b>
Interim Director of Finance and Commercial Services	7	85,090	0	<b>85,090</b>	0	<b>85,090</b>
Director of Policy and Performance	8	99,850	0	<b>99,850</b>	18,972	<b>118,822</b>
<b>Total</b>		<b>1,463,493</b>	<b>34</b>	<b>1,463,528</b>	<b>231,511</b>	<b>1,695,039</b>

**Notes:**

1. The Executive Director of People left their position on 29 August 2022.
2. The Strategic Director of Adults' Care and Wellbeing began reporting directly to the Chief Executive from 30 August 2022.
3. The Interim Strategic Director of Children's Services began reporting directly to the Chief Executive from 30 August 2022. Prior to taking up their current role on 18 August 2022, this individual was the Director of Education and Skills within the People Portfolio and their remuneration in this role is included in the table above.
4. The Executive Director of Resources took up the role of Acting Chief Executive from 16 February 2022. A Temporary Additional Responsibility Allowance (TARA) was paid during 2022/23 and is included in the salary figure above. This individual left their position on 30 November 2022. As a result, the remuneration in the table above also includes a Settlement Agreement payment and Pay in Lieu of Notice.
5. The Director of Legal and Governance in addition took up the role of Acting Executive Director of Resources on a job share basis from 16 February 2022. A TARA was paid during 2022/23 and is included in the salary figure above. This individual left their position on 25 September 2022.

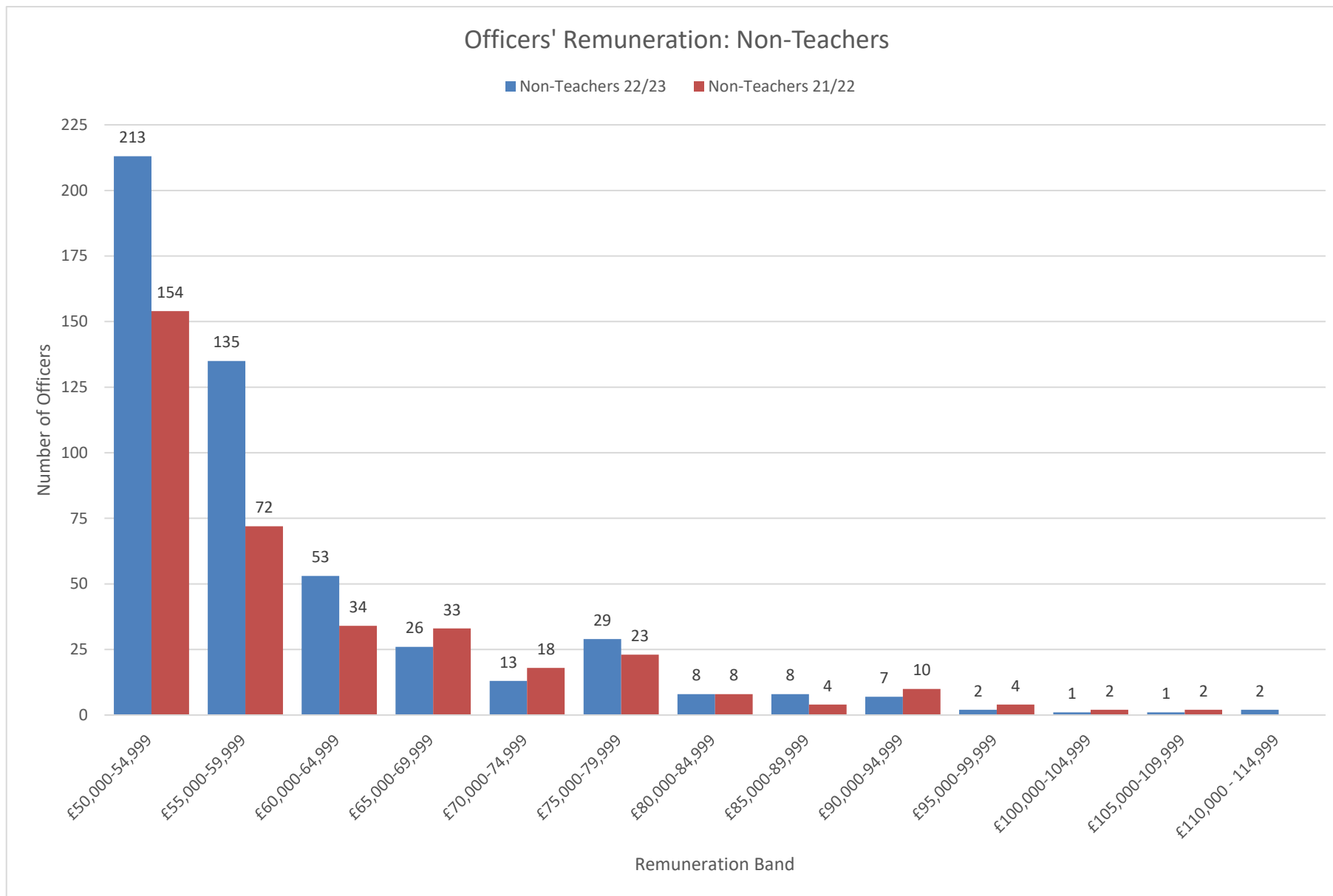
6. Prior to taking up their current role on 26 September 2022, the Interim Director of Legal and Governance was the Assistant Director of Legal and Governance within the Resources Portfolio and their remuneration in this role is included in the table above. While in that role, this individual took up the role of Acting Director of Legal and Governance from 16 February 2022. A TARA was paid during 2022/23 and is included in the salary figure.
7. The Interim Director of Finance and Commercial Services joined the Council on 1 December 2022. This individual reports directly to the Chief Executive and assumes some of the responsibilities of the former Executive Director of Resources. This individual is employed via an agency and their employee costs are inclusive of agency fees, however no accommodation, travel or other expenses were paid during 2022/23. The remuneration in the table above does include Employer's National Insurance and the Apprenticeship Levy, but does not include VAT.
8. The Director of Policy and Performance in addition took up the role of Acting Executive Director of Resources on a job share basis from 16 February 2022. A TARA was paid during 2022/23 and is included in the salary figure.

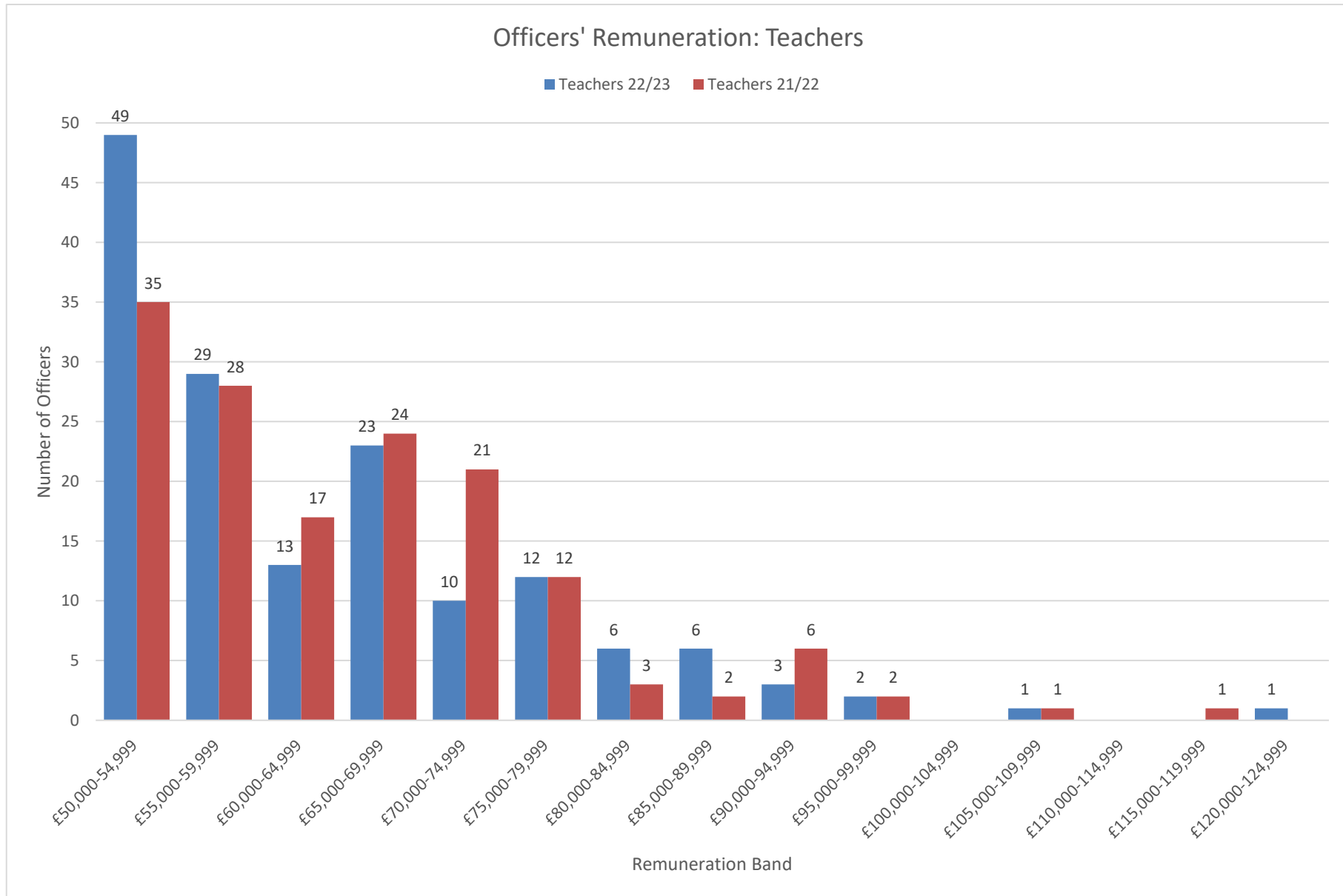
2021/22						
Post Holder Information	Note	Salary – including Fees and Allowances £	Expenses Allowances £	Total Remuneration exc Pension Contributions £	Pension Contributions £	Total Remuneration inc Pension Contributions £
Chief Executive – Kate Josephs		204,311	0	204,311	38,819	243,130
Executive Director – Resources – Eugene Walker	1	158,051	0	158,051	30,294	188,345
Executive Director – People – John Macilwraith		156,637	0	156,637	29,761	186,398
Interim Executive Director – Place		134,420	0	134,420	25,540	159,960
Executive Director – Place (City Futures)	2	10,069	0	10,069	1,913	11,982
Director of Public Health		128,411	0	128,411	18,233	146,644
Director of Legal and Governance	3	98,301	0	98,301	18,464	116,765
Director of Policy and Performance	4	92,561	0	92,561	17,514	110,075
<b>Total</b>		<b>982,761</b>	<b>0</b>	<b>982,761</b>	<b>180,538</b>	<b>1,163,299</b>

**Notes:**

1. The Executive Director of Resources took up the role of acting Chief Executive on 16<sup>th</sup> February 2022.
2. The Executive Director of Place (City Futures portfolio) took up position with effect from 7<sup>th</sup> March 2022.
3. The Director of Legal and Governance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16<sup>th</sup> February 2022.
4. The Director of Policy and Performance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16<sup>th</sup> February 2022.

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 142 employees in 2022/23 (172 in 2021/22), who were made redundant as part of its strategy to reduce the workforce to achieve budget savings, incurring liabilities of £4.4m (£6.1m in 2021/22). This includes redundancy and pension payments.

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

2021/22			2022/23		
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	
77	760	£0.01 - £20,000	74	863	
43	1,247	£20,001 - £40,000	35	945	
15	744	£40,001 - £60,000	10	490	
19	1,367	£60,001 - £80,000	7	492	
7	642	£80,001 - £100,000	12	1,079	
11	1,153	£100,001 - £200,000	4	541	
172	6,113	<b>Total</b>	142	4,410	

#### 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. The City Council makes contributions to the following pension schemes in respect of its employees.

##### Teachers' Pension Scheme

In 2022/23 the City Council paid £14.1m (£13.8m 2021/22) to the Department for Education (DfE) in respect of Teachers' pension costs, which represented 23.68% of Teachers' pensionable pay over the year (23.68% 2021/22).

In addition, the City Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2022/23 these amounted to £3.6m (£3.8m 2021/22), representing 6.05% (6.46% 2021/22) 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 2022/23 the City Council paid £126k (£139k 2021/22) to NHS Pensions in respect of NHS pension costs, which represented 14.38% (14.38% 2021/22) 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:

2021/22		2022/23
£000		£000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Cost of Services:</i>	
98,308	Current service cost	125,424
1,930	Past service cost including curtailments	1,309
<b>100,238</b>	<b>Charge to (Surplus) / Deficit on Continuing Operations</b>	<b>126,733</b>
	<i>Other Operating Expenditure:</i>	
1,248	Administration expenses	1,352
1,248		1,352
	<i>Financing and Investment Income and Expenditure:</i>	
81,657	Interest cost on pension liabilities	106,822
(61,021)	Interest on plan assets	(86,124)
20,636		20,698
<b>21,884</b>	<b>Charge to the (Surplus) / Deficit on the Provision of Services</b>	<b>22,050</b>
	<i>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>	
(341,019)	Re-measurements of the net defined benefit liability	(980,464)
11,748	Business Combinations	0
<b>(329,271)</b>		<b>(980,464)</b>
<b>(207,149)</b>	<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(831,681)</b>

On 31 March 2022, the historic assets and liabilities of the Sheffield City Trust's South Yorkshire Pension Scheme were subsumed by the Council's South Yorkshire Pension Scheme and the Trust has been discharged of its net pension liability.

2021/22		2022/23
£000		£000
	<b>Movement in Reserves Statement</b>	
(122,122)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(148,783)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
49,538	Employer's contributions payable to scheme	53,062

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2023 is a gain of £902m (£78.1m loss in 2021/22).

The employer's contributions payable to the scheme increased from £49.5m in 2021/22 to £53.1m in 2022/23.

### Assets and Liabilities in Relation to Post-Employment Benefits

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

2021/22 £000		2022/23 £000
(3,883,967)	Opening Balance at 1 April	(3,940,061)
(99,556)	Current service cost	(126,776)
(81,657)	Interest cost	(106,822)
(16,250)	Contributions by scheme participants	(17,697)
105,681	Re-measurements	1,168,980
103,328	Benefits Paid	107,397
(1,930)	Curtailments	(1,309)
(65,710)	Business Combinations	0
<b>(3,940,061)</b>	<b>Closing Balance at 31 March</b>	<b>(2,916,288)</b>

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

2021/22 £000		2022/23 £000
2,882,853	Opening Balance at 1 April	3,195,634
61,021	Interest on plan assets	86,124
235,338	Re-measurements	(188,516)
49,538	Contributions by Employer	53,062
16,250	Contributions by scheme (plan) participants	17,697
(103,328)	Benefits paid	(107,397)
53,962	Business Combinations	0
<b>3,195,634</b>	<b>Closing Balance at 31 March</b>	<b>3,056,604</b>

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

The actual return on scheme assets in the year was a loss of £102m (£296.4m gain in 2021/22).

Local Government Pension Scheme assets comprised:

	31 March 2022	31 March 2023
	£000	£000
<b>Equity Securities:</b>		
Other - Quoted	7,673	205
Other - Unquoted	16	31
<b>Debt Securities:</b>		
Corporate Bonds (Investment Grade)	0	0
Corporate Bonds (Non-Investment Grade) - Unquoted	346	61
UK Government - Unquoted	19,068	11,371
Other - Quoted	9,075	9,244
Other - Unquoted	150,356	168,757
<b>Private Equity:</b>		
All - Quoted	6,874	5,352
All - Unquoted	306,356	319,410
<b>Real Estate:</b>		
UK Property - Quoted	5,294	4,150
UK Property - Unquoted	264,042	250,835
Overseas Property - Unquoted	4,304	3,831
<b>Investment Funds and Unit Trusts:</b>		
Equities - Unquoted	1,488,995	1,380,739
Bonds - Unquoted	573,993	510,766
Hedge Funds	0	0
Commodities	0	0
Infrastructure - Quoted	41,034	32,368
Infrastructure - Unquoted	222,965	274,302
Other	59,604	56,055
<b>Cash and Cash Equivalents:</b>		
All - Quoted	35,639	29,127

## Scheme History

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Present value of liabilities	(3,099,421)	(3,305,385)	(3,883,967)	(3,940,061)	(2,916,288)
Fair value of scheme assets	2,168,758	2,364,311	2,882,853	3,195,634	3,056,604
<b>Surplus / (deficit) in the scheme</b>	<b>(930,663)</b>	<b>(941,074)</b>	<b>(1,001,114)</b>	<b>(744,427)</b>	<b>140,316</b>

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total asset of £140m (£744m liability 2021/22) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, increasing the balance from £2.5bn to £2.7bn (£2.3bn to £1.6bn 2021/22). 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 Hymans Robertson 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:

2021/22		2022/23
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners:	
21 years	Men	20.5 years
24 years	Women	23.7 years
	Longevity at 65 for future pensioners:	
22 years	Men	21.5 years
25.5 years	Women	25.2 years
	<b>Financial assumptions:</b>	
3.2%	Rate of CPI inflation	3.0%
3.8%	Rate of increase in salaries	3.6%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%

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 2020/22.

<b>Change in Assumptions at 31 March 2023</b>	<b>£000</b>
Increase in life expectancy (1 year increase)	116,652
Rate of inflation (0.1% increase)	42,509
Rate of increase in salaries (0.1% increase)	5,153
Rate of discount (0.1% increase)	46,990

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2022/23 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2023:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	%	%	%	%	%
Differences between the expected and actual return on assets	3.1	8.1	16.1	6.9	-6.2
Experience gains and losses on liabilities	4.9	-1.6	13.4	-4.6	-46.5

## 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:

2021/22		2022/23
£000	Note	£000
	<b>Expenditure:</b>	
44,474	Repairs and maintenance	51,739
54,450	Supervision and management	57,885
2,828	Rents, rates, taxes and other charges	3,107
108,563	Depreciation, impairment and revaluation losses / (gains) of non-current assets	134,698
223	Debt management costs	200
1,304	Movement in the allowance for Bad or Doubtful Debts	1,044
<b>211,842</b>	<b>Total Expenditure</b>	<b>248,673</b>
	<b>Income:</b>	
(145,871)	Dwelling rents	(151,601)
(1,310)	Non-dwelling rents - garages, garage sites, shops	(1,306)
(6,406)	Charges for services and facilities	(8,540)
(467)	Contributions towards expenditure	(603)
<b>(154,054)</b>	<b>Total Income</b>	<b>(162,050)</b>
<b>57,788</b>	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement	<b>86,623</b>
798	HRA share of Corporate and Democratic Core	803
<b>58,586</b>	<b>Net (Income) / Cost of HRA Services</b>	<b>87,426</b>
	<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>	
(1,349)	(Gain) or loss on sale of HRA non-current assets	(4,513)
12,862	Interest payable and similar charges	12,749
(108)	Interest and investment income	(640)
<b>69,991</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>95,022</b>



**Movement on the Housing Revenue Account Statement:**

2021/22		2022/23
£000		£000
(7,782)	<b>Balance as at 1 April</b>	<b>(8,023)</b>
0	Opening balance adjustment	0
69,991	(Surplus) / Deficit on the HRA Income and Expenditure Statement	95,022
0	Other Comprehensive Income and Expenditure	0
(81,567)	Adjustments between accounting basis and funding basis under regulation	(105,426)
<b>(11,576)</b>	<b>Net (increase) / decrease before transfers to reserves</b>	<b>(10,404)</b>
11,335	Transfer to / from reserves	9,766
<b>(241)</b>	<b>(Increase) / decrease in year on the HRA</b>	<b>(638)</b>
<b>(8,023)</b>	<b>Balance as at 31 March</b>	<b>(8,661)</b>

**Notes to the Housing Revenue Account**

**01. Other Comprehensive Income and Expenditure**

In 2022/23 and 2021/22 there were no other items.

**02. Adjustments Between Accounting Basis and Funding Basis Under Regulation**

2021/22		2022/23
£000		£000
(82,943)	Net Impairment and revaluation gains / (losses) on HRA non-current assets	(109,966)
1,349	Net gain / (loss) on sale of HRA non-current assets	4,513
0	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	0
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
<b>(81,567)</b>	<b>Total</b>	<b>(105,426)</b>

**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 2022/23.

2021/22		2022/23
£000		£000
13,553	Transfer to / (from) the Major Repairs Reserve	9,353
(2,218)	Transfer to / (from) the HRA Earmarked Reserve	411
<b>11,335</b>	<b>Total</b>	<b>9,764</b>

**04. Housing Stock**

The Council was responsible for managing, on average 38,475 dwellings during 2022/23 (38,715 for 2021/22). The movement in stock can be summarised as follows:

2021/22		2022/23
38,877	Housing Stock as at 1 April	38,553
(413)	Less: Sales	(410)
0	Less: Demolitions and other deductions	(1)
89	Add: New build and acquisitions	255
<b>38,553</b>	<b>Housing Stock as at 31 March</b>	<b>38,397</b>

The housing stock can be analysed by type as follows:

2022/23			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,925	1,695	13,620
2 Bedrooms	5,408	8,286	13,694
3 Bedrooms	804	9,486	10,290
4 Bedrooms	13	392	405
5 Bedrooms	1	19	20
6 Bedrooms or more	1	2	3
Bedsits	363	2	365
<b>Total</b>	<b>18,515</b>	<b>19,882</b>	<b>38,397</b>

2021/22 – Comparative Information			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,850	1,694	13,544
2 Bedrooms	5,445	8,353	13,798
3 Bedrooms	819	9,636	10,455
4 Bedrooms	11	370	381
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	349	2	351
<b>Total</b>	<b>18,476</b>	<b>20,077</b>	<b>38,553</b>

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

2021/22			2022/23	
Value at 1 April £000	Value at 31 March £000		Value at 1 April £000	Value at 31 March £000
1,488,278	1,524,752	Council Dwellings	1,524,752	1,634,626
13,616	22,076	Other Land and Buildings	22,076	27,184
43,423	41,251	Surplus Assets	41,251	46,495
4,836	7,469	Assets Held for Sale	7,469	5,796
2	0	Community Assets	0	0
27,137	44,098	Assets Under Construction	44,098	28,089
0	15	Vehicles, Plant and Equipment	15	161
<b>1,577,292</b>	<b>1,639,661</b>	<b>Total</b>	<b>1,639,661</b>	<b>1,742,351</b>

#### 05. Vacant Possession

The vacant possession value of Council Dwellings as at 31<sup>st</sup> March 2023 was £3.99bn (£3.72bn as at 31<sup>st</sup> March 2021 and £3.63bn as at 1 April 2021). 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:

2021/22		2022/23
£000		£000
(98,837)	Balance at 1 April	(98,141)
(25,620)	Transfers from the Capital Adjustment Account (re. Depreciation)	(24,733)
0	Transfers from the HRA (re. Revenue Contribution)	0
(13,553)	Transfers from the HRA (re. Additional Revenue Contribution)	(9,353)
39,869	Expenditure on capital assets	47,398
<b>(98,141)</b>	<b>Balance at 31 March</b>	<b>(84,829)</b>

## 07. Capital Expenditure

During the financial year total capital expenditure was £58.4m, (£46m in 2021/22) split between houses £53.1m (£44.3m in 2020/21) and other property and land within the Housing Revenue Account £5.3m (£1.7m in 2021/22).

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

2021/22		2022/23
£000		£000
39,869	Major Repairs Reserve	47,398
5,577	Usable Capital Receipts Reserve	5,112
518	Capital Grants and Other Contributions	5,851
<b>45,964</b>	<b>Total</b>	<b>58,361</b>

Capital receipts amounting to £23m (£22.8m in 2021/22) 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 £24.7m (£25.6m in 2021/22) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2021/22		2022/23
£000		£000
25,024	Council Dwellings	23,797
572	Other Land and Buildings	887
24	Surplus Assets	47
0	Vehicle, Plant and Equipment	2
<b>25,620</b>	<b>Total</b>	<b>24,733</b>



## 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).

2021/22			2022/23			
Non-Domestic Rates £000	Council Tax £000	Total £000	Notes	Non-Domestic Rates £000	Council Tax £000	Total £000
0	(293,548)	<b>(293,548)</b>		0	(304,269)	<b>(304,269)</b>
(175,173)	0	<b>(175,173)</b>	1	(199,397)	0	<b>(199,397)</b>
<b>(175,173)</b>	<b>(293,548)</b>	<b>(468,721)</b>		<b>(199,397)</b>	<b>(304,269)</b>	<b>(503,666)</b>
			<b>Income:</b>			
			<b>Council Tax Receivable</b>			
			<b>NNDR Receivable</b>			
			<b>Total Income</b>			
			<b>Expenditure:</b>			
			<b>Precepts and Demands:</b>			
97,927	235,612	<b>333,539</b>		89,291	251,911	<b>341,202</b>
0	29,406	<b>29,406</b>		0	31,964	<b>31,964</b>
1,999	10,500	<b>12,499</b>		1,822	11,118	<b>12,940</b>
99,926	0	<b>99,926</b>		91,113	0	<b>91,113</b>
<b>199,852</b>	<b>275,518</b>	<b>475,370</b>		<b>182,226</b>	<b>294,993</b>	<b>477,219</b>
			<b>Apportionment of Previous Years' Surplus/(Deficit):</b>			
(44,893)	(4,697)	<b>(49,590)</b>		(22,050)	8,167	<b>(13,883)</b>
0	(574)	<b>(574)</b>		0	1,025	<b>1,025</b>
(916)	(216)	<b>(1,132)</b>		(450)	362	<b>(88)</b>
(45,809)	0	<b>(45,809)</b>		(22,500)	0	<b>(22,500)</b>
<b>(91,618)</b>	<b>(5,487)</b>	<b>(97,105)</b>		<b>(45,000)</b>	<b>9,554</b>	<b>(35,446)</b>
			<b>Charges to Collection Fund:</b>			
1,199	0	<b>1,199</b>		2,907	0	<b>2,907</b>
0	0	<b>0</b>		0	0	<b>0</b>
0	1,257	<b>1,257</b>		0	1,550	<b>1,550</b>
3,018	7,095	<b>10,113</b>		4,030	4,643	<b>8,673</b>
2,762	0	<b>2,762</b>		(10,804)	0	<b>(10,804)</b>
744	0	<b>744</b>		5	0	<b>5</b>
1,580	0	<b>1,580</b>		741	0	<b>741</b>
651	0	<b>651</b>		1,580	0	<b>1,580</b>
3,991	0	<b>3,991</b>		673	0	<b>673</b>
<b>122,179</b>	<b>278,383</b>	<b>400,562</b>		<b>1,194</b>	<b>0</b>	<b>1,194</b>
<b>(52,994)</b>	<b>(15,165)</b>	<b>(68,159)</b>		<b>(61,845)</b>	<b>6,471</b>	<b>(55,374)</b>
<b>97,601</b>	<b>5,492</b>	<b>103,093</b>		<b>44,605</b>	<b>(9,673)</b>	<b>34,932</b>
<b>44,607</b>	<b>(9,673)</b>	<b>34,934</b>		<b>(17,240)</b>	<b>(3,202)</b>	<b>(20,442)</b>

## Notes to the Collection Fund

### 01. Council Tax

There are an estimated 256,203 residential properties (253,970 for 2021/22) in the City Council area and each is placed into one of eight valuation bands (A to H) by the Inland Revenue Valuation Office Agency based on its assessed capital value at 1 April 1991. The totals for each band are converted and expressed in terms of a number of Band D dwellings to give the tax base for the city of 150,062.56 for 2022/23 (146,849.15 for 2021/22). 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 £2,053.83 for 2022/23 (£1,991.42 for 2021/22). This excludes parish precepts but includes the precepts from the other South Yorkshire Joint Authorities and is converted to determine the level of Council Tax for the other eight bands.

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

2022/23						
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		270	270	(31)	5/9	133
A	150,473	(37,830)	112,644	(16,318)	6/9	64,218
B	40,903	(4,120)	36,783	(3,176)	7/9	26,139
C	32,393	(3,440)	28,953	(2,023)	8/9	23,938
D	15,419	(1,534)	15,184	(888)	9/9	14,296
E	9,596	(438)	9,157	(459)	11/9	10,631
F	4,347	(72)	4,274	(185)	13/9	5,906
G	2,863	(52)	2,811	(116)	15/9	4,490
H	208	(43)	166	(10)	18/9	312
	256,202	(47,259)	210,242	(23,206)		150,063
Less: Allowance for non-collection						(6,753)
Add: Defence-exempt properties						3
<b>Tax Base for the calculation of 2022/23 Council Tax</b>						<b>143,312.61</b>



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.

2021/22						
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		274.74	274.74	(34.00)	5/9	133.74
A	147,856.00	(40,210.93)	107,645.07	(16,074.38)	6/9	61,047.13
B	40,516.00	(4,487.74)	36,028.26	(3,091.88)	7/9	25,617.18
C	32,133.00	(3,709.66)	28,423.34	(1,980.75)	8/9	23,504.52
D	16,909.00	(1,794.81)	14,814.19	(887.25)	9/9	13,926.94
E	9,493.00	(461.65)	9,031.35	(452.75)	11/9	10,485.96
F	4,316.00	(86.34)	4,229.66	(181.00)	13/9	5,848.06
G	2,846.00	(61.33)	2,784.67	(120.75)	15/9	4,439.87
H	201.00	(44.50)	156.50	(10.00)	18/9	293.00
	254,270.00	(50,582.22)	203,387.78	(22,832.76)		145,296.40
Less: Allowance for non-collection						(7,265.76)
Add: Defence-exempt properties						2
<b>Tax Base for the calculation of 2021/22 Council Tax</b>						<b>138,032.64</b>

The income of £302.7m for 2022/23 (£292.3m 2021/22), which is net of write offs, is broken down as follows:

2021/22		2022/23
£000		£000
(293,548)	Billed to Council Tax Payers	(304,269)
1,257	Write Offs	1,550
<b>(292,291)</b>	<b>Total</b>	<b>(302,719)</b>

## 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 2022/23 the Standard Rate was 51.2p (unchanged from 2021/22) and the Small Business Rate was 49.9p in 2022/23 (unchanged from 2021/22). Subject to the effects of transitional arrangements, local businesses pay rates are calculated by multiplying the rateable value of relevant premises 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, after accounting for disregarded amounts. The NNDR income of £199.4m for 2022/23 (£175.2m in 2021/22) was based on a total rateable value for the Council's area of £540.3m for the year 2022/23 (£547.9m for 2021/22).

## Accounting Policies

### I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31<sup>st</sup> March 2023. 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 2022/23 ('the Code') and the CIPFA Service Reporting Code of Practice 2022/23, 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.

The balances of third-party funds and bank accounts are not included in the Council's financial statements.

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 (DHSC).
- 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

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<sup>st</sup> 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.

## **XIV. Heritage Assets**

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

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

#### **Museums and Galleries**

The collections include fine and decorative art, natural sciences, human history and industrial heritage. The assets are reported on the Council's Balance Sheet at insurance valuation, which is updated on an annual basis. The policy insures the collections as a whole and includes assets managed by Sheffield Museums Trust, formed in 2021 through the merger of 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.

Sheffield Museums Trust works to the Collections Agreement between the Trust and the Council and a Collections Development Policy that is revised as part of the Arts Council England Accreditation Scheme and is approved by Sheffield Museums Board of Trustees and the Council.

Standards of care are governed by the requirements of the National Museum Accreditation Scheme, with which Sheffield Museums has achieved accreditation.

### **Civic Collections**

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

### **Archives and Libraries**

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

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

### **Public Realm**

Heritage Assets in the Public Realm include statues and monuments, war memorials, public art and archaeological sites. The Council does not consider that reliable valuation information can be obtained for the items held in the public realm. This is because of the diverse nature of the assets

held and lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet. However cost information is included where available.

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

### **General**

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

## **XV. Intangible Assets**

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund



Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **XVI. Inventories and Long Term Contracts**

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

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

## **XVII. Investment Property**

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

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

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

## **XVIII. Joint Operations**

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

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

## XIX. Leases

Leases are classified as finance leases where the terms of the lease substantially transfer 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.

## 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:

- assets under construction – 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.
- 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. Infrastructure Assets**

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### **Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

### **Measurement**

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.



Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are as follows:

Infrastructure Assets	Useful Life
Carriageways	40
Footways and cycle tracks	40
Structures (bridges, tunnels and underpasses)	40
Street lighting	40
Street furniture	20
Traffic management systems	20

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

### XXIII. 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.

## XXIV. 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.

### **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.

### **XXV. 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.

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

### **XXVI. 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.

#### **XXVII. 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.

#### **XXVIII. 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.

#### **XXIX. 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 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).

### **XXX. 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 2023/24 (The Code) will introduce new accounting standards and/or amendments to existing standards. The Council is required to disclose information relating to the impact of standards that have been issued but not yet adopted. If these had been adopted by the 2022/23 Code and applied in the Statement of Accounts, there would be no material change, as detailed below:

#### **IFRS 16 Leases**

Implementation of IFRS 16 has been postponed until 1st April 2024 and therefore applicable to the 2024/25 Statement of Accounts. The Council has decided not to adopt the standard early.

### **Definition of Accounting Estimates (Amendments to IAS 8)**

In February 2021, the IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates.

If the amendments had been adopted by the 2022/23 Code, the Council would not have made any changes to its accounting policies or accounting estimates.

### **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

In February 2021, the IASB published 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' to help entities in deciding which accounting policies to disclose in their financial statements.

The Council discloses accounting policies in accordance with the Code, therefore these amendments would have no impact on the accounting policies disclosed in the Statement of Accounts.

### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**

In May 2021, the IASB published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' to clarify how entities account for deferred tax on transactions such as leases and decommissioning obligations.

The Council has not accounted for any arrangements which would be affected by these amendments.

### **Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**

In May 2020, the IASB published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference to the 1989 Conceptual Framework in IFRS 3, without significantly changing its requirements. The accounting standard now correctly refers to the 2018 Conceptual Framework.

As there are no significant changes to the requirements of IFRS 3, this update would not have had a material impact on the Statement of Accounts if it had been adopted in the 2022/23 Code.

## 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<sup>st</sup> March 2023 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 £839k for every year that useful lives had to be reduced.
Infrastructure Assets Depreciation (Note 23A)	Highways Infrastructure Assets are depreciated at 40 years, which is in line with our expectations of the life under the PFI contractual agreement with Amey. In 2021/22 CIPFA produced information that suggested a more suitable life for footways and carriageways, which would be as low as 25 years.	If the useful life of Highways Infrastructure Assets was reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the difference in the annual depreciation charge would be an increase of £4m if the CIPFA useful life was adopted.
Property, Plant and Equipment, HRA valuation (Note 23)	The value of the Council's housing dwellings stock is determined using beacon properties, assuming vacant possession. These valuations are then adjusted to Existing Use Value – Social Housing (EUV-SH), to reflect their occupation by secure tenants. This adjustment is considered to reflect the additional risk and liability that public sector landlords undertake when compared with private sector investors.	The EUV-SH of the Council's housing dwellings stock as at 31 <sup>st</sup> March 2023 has been determined by adjusting the vacant possession value using DLUHC'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 £40m in 2022/23.



<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>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on several 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% decrease in the discount rate assumption would result in an increase in the pension liability of £47m. However, the assumptions interact in complex ways.</p>

Arrears	At 31 <sup>st</sup> March 2022, the Council had a balance for sundry debtors of £27.7m. An impairment of doubtful debts of £21.2m (76.4%) was considered appropriate, based on analysis of collection rates. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £6.5m of sundry debts currently not provided for.
Business Rates - Appeals	The provision for appeals is based on assumptions about the likely level of appeals raised against the ratings list in the future and the likely success of outstanding appeals. The provision stands at £20.7m which is reasonable given available data sources and historical analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.	If more up to date information from the Valuation Office Agency stimulates a reduction to the provision, the release of the provision creates a credit to the collection fund. Conversely, an increase in the required provision creates a debit.
Expected Credit Loss (ECL)	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.	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.

#### 04. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

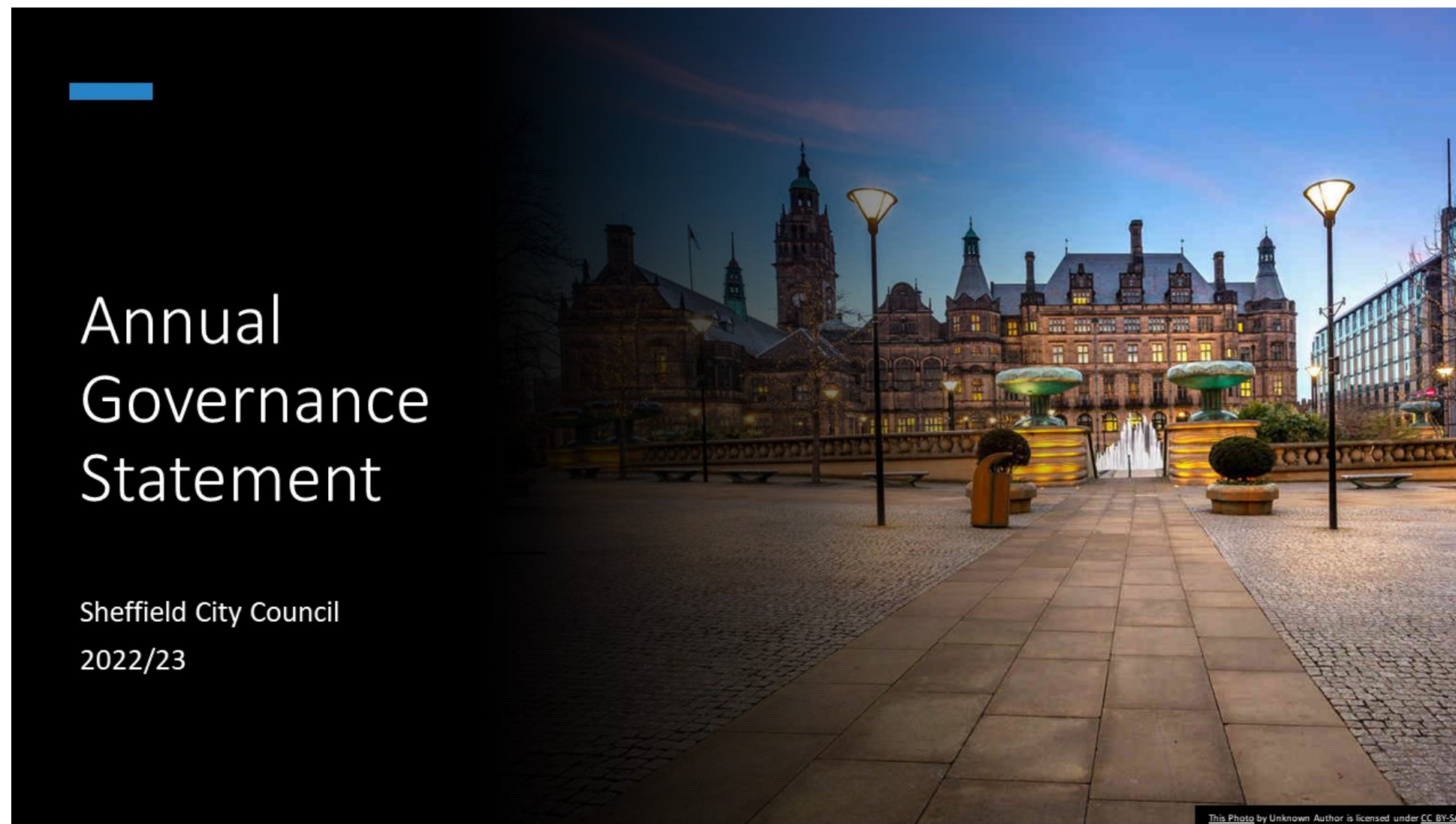
In carrying out the assessment that this basis is appropriate, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting for the period to 31<sup>st</sup> March 2024.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing, other than to support the capital programme, which is consistent to our plans and normal practice.

Our [Medium-Term Financial Analysis \(MTFA\) published in July 2022](#) set out the planning assumptions applied for the years 2023/24 to 2026/27 and predicted a funding gap of approximately £111m over this 4 year period. The MTFA included a detailed review of the pressures facing the Council for the financial year 2023/24, along with the assumptions on local taxation and expected Government income. The [2023-24 budget was approved in March 2023](#) detailing savings, service efficiencies and increased income that will have to be delivered in order to achieve a balanced budget. The Council anticipate the budget gap identified in the MTFA can be achieved through delivering the proposed budget improvements without the use of unplanned draws from reserves.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

Annual Governance Statement



# Introduction

Under the Accounts and Audit (England) Regulations 2015, local authorities in the UK are required to publish an Annual Governance Statement (AGS) along with their Statement of Accounts. The AGS reports publicly on an authority's compliance with its own Code of Corporate Governance. The Delivering Good Governance in Local Government Framework (2016), published by CIPFA and Solace, sets out the good governance principles on which the Code of Corporate Governance should be based, and provides guidelines for the content of the AGS.

The purpose of this AGS is to:

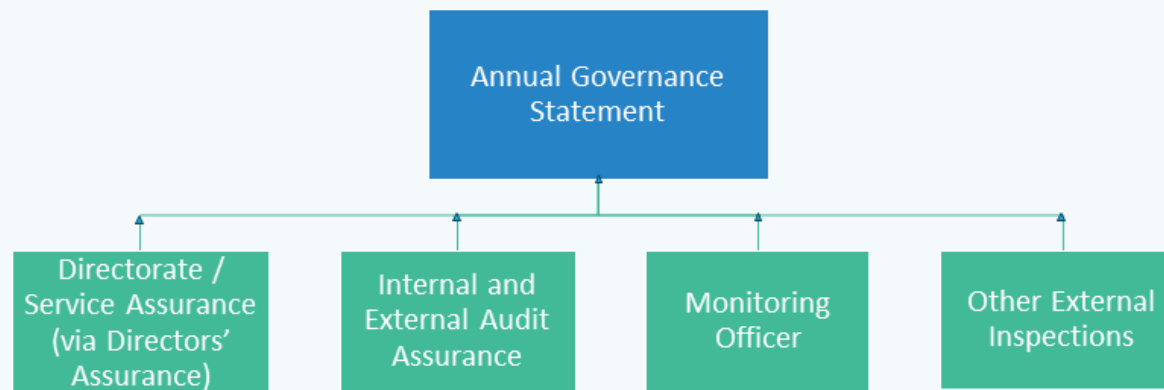
1. Explain to our community and stakeholders how the Council's governance arrangements operate and the controls the Council has in place to manage the risk of failure to deliver planned outcomes.
2. Set out how the Council has monitored and evaluated the effectiveness of its governance arrangements.

# Effective governance and internal control

The Council is responsible for ensuring that it has a sound system of governance and internal control. This is underpinned by the Council's [Code of Corporate Governance](#).

The Council has a duty to review the effectiveness of its governance framework on an annual basis. This review is informed and supported by the work of internal auditors and senior managers, as well as external auditors and other review agencies and inspectorates. This review informs the production of the AGS.

There is a process of positive verification in place, which is summarised below.





# Inputs to the Annual Governance Statement



- **Internal Audit** provides an independent review of the Council's internal control systems and works closely with the Council's external auditors, EY.
- The **Monitoring Officer** monitors and reviews the operation of the Constitution.
- **Full Council** is responsible for setting the Council's overall objectives, setting the budget, and setting the level of Council Tax.
- **Directors** give written assurance that they are achieving compliance in key required areas. The Council is enhancing its performance reporting, in conjunction with a new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year
- The **Performance and Delivery Board** manages improvement actions.
- The **Audit and Standards Committee** scrutinises the work undertaken by Internal Audit. The Committee is also responsible for promoting high standards of conduct by Members, overseeing the Members' Code of Conduct, and considering complaints where a Member may have breached the Code.
- During the year, the Council has been inspected by several **external agencies**. Their reports have been scrutinised to identify issues to ensure that appropriate corrective action is implemented.

## Key elements of the Council's governance arrangements

### Council, Leader, Committee System

The Council represents the views of the community, and makes decisions through meetings of the Full Council, its various committees, and officers acting on authority delegated to them. The Leader acts as the principal political spokesperson for the Council, and develops the vision for the city, working with chief officers, committee chairs, and group leaders. The Strategy and Resources Policy Committee comprises 11 members and is chaired by the Leader of the council. It is responsible for taking decisions on corporate, strategic, and cross-cutting matters. Individual committees have responsibility for decisions within the ambit of their themed scope.

### Scheme of Delegation

The Council's constitution sets out decision-making authorities across the Council. It reserves some decisions to the Council or Committees and sets out the level at which officer decisions are made.

### Scrutiny and Audit

The new Committee governance structure does not require an Overview and Scrutiny function as decisions made in Committee are on a cross party basis, but formal scrutiny remains in place for Health. Policy Committees agree performance priorities and undertake performance reviews. The Audit and Standards Committee oversees the Council's risk management, control and corporate governance arrangements.

### Strategic Leadership Team

SLT deals with key corporate issues and strategic service issues. It supports the Council's political leadership, providing a steer on policy issues where necessary.

### Risk management and internal control

The Council's risk management and internal control arrangements support the monitoring of risks and evaluation of the effectiveness of the Council's governance arrangements.



## Core principles of good governance

The **CIPFA/Solace Governance Framework** sets out 7 core principles of good governance. The arrangements the Council has in place to meet these core principles are set out below.

More detail on how the Council complies with the core principles is set out in its [Code of Corporate Governance](#).

**PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical value, and respecting the rule of law**

The Council has in place appropriate policies and procedures to ensure compliance with laws and regulations, including in relation to anti-bribery and whistleblowing. The Constitution sets out the framework for behaviour, including codes of conduct for officers and members, and the statutory roles of the Section 151 Officer and the Monitoring Officer.


**PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

The Council actively engages with its stakeholders through formal and informal partnerships and feedback gathering exercises. It publishes decisions, including clear reasoning and explanations for those decisions. It also responds in a transparent manner to requests for information.

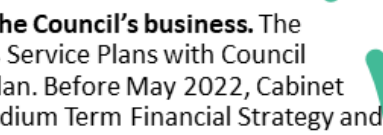
**PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The Council's vision reflects its purpose and intended outcomes, and this provides the basis of the Council's strategy and planning. It takes a long-term view in decision making, taking into account the sustainability of available resources, and factoring economic, social and environmental impacts into decision making.

<p><b>PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<p>The Council considers rigorously analysed options before making decisions to ensure that outcomes are achieved, and best value is achieved. It also engages with external stakeholders to ensure that plans have the required impact. The Council ensures that arrangements are flexible to allow it to respond agilely.</p>
<p><b>PRINCIPLE E: Developing the Council’s capacity, including the capability of its leadership and the individuals within it</b></p>	<p>The Council has established clear decision-making frameworks, including its delegations. There is clarity on roles and responsibilities for members and officers. The Council also ensures that members and officers have appropriate skills and experience to support those roles and responsibilities.</p>
<p><b>PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management</b></p>	<p>The Council recognises risk management as an integral part of all its activities. It maintains a risk management framework and monitors and evaluates risk management and internal control regularly. Scrutiny is also a central part of the Council’s decision making.</p>
<p><b>PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	<p>The Council is committed to communicating with the public in a transparent manner to enhance public scrutiny. It acts on recommendations made by internal and external audit and welcomes peer challenge.</p>



The key aims of the  
Council's internal  
control environment  
are:

- 
- 1. Establishing and monitoring the achievement of the Council's business.** The Council has a business planning process that aligns Service Plans with Council priorities contained in the Our Sheffield Delivery Plan. Before May 2022, Cabinet had responsibility for formulating the Council's Medium Term Financial Strategy and for oversight of budget monitoring. Since the change to a committee governance structure, this responsibility has transferred to the Strategy & Resources Committee. Minutes of Council and Committee meetings are publicly available on the [Council's website](#).
  - 2. Facilitation of policy and decision-making.** Before May 2022, key decisions were made by the Executive. The Council no longer has the legal concept of Key decisions but its delegation framework ensures Policy Committees take appropriate decisions within the Council's budget and policy framework. The Council is no longer required to have an Overview and Scrutiny function; however, elements of formal scrutiny continue in relation to Health via a sub-committee of the Adult Health and Social Policy Committee. The Leader's own scheme of delegation has been replaced with delegations documented in the Constitution.
  - 3. 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 a Corporate Delivery Plan setting out the vision and priorities to achieve its goals.

4. **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 Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.
  - **Ensuring compliance with established policies, procedures, laws and regulations.** The Council has the following in place to achieve this objective:
    - Procedures are set out in the Council's Constitution, including Standing Orders, Financial Regulations and Protocol, and procurement guidelines.
    - The Monitoring Officer has overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee.
    - Overall responsibility for financial matters sits with the Director of Finance and Commercial Services.
    - A Risk Management Framework is in place and risks are reported to the Performance and Delivery Board and Audit and Standards Committee.
    - Audit and Standards Committee oversees the Member Code of Conduct.
    - A Whistleblowing Policy is in place to enable employees and others to raise concerns about the Council's work.
    - Services are reviewed periodically by Internal Audit and external agencies, including the Care Quality Commission and Ofsted.
5. **Performance management and reporting.** The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against its objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed. The Human Resources Service supports directorates to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board has been 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.

## Developments in the Council's governance arrangements

The Council's Governance Framework needs to evolve to consider the changes that are taking place across the organisation. During the year 2022/23, several initiatives have had an impact on the control assurance mechanisms in place.



A Referendum was held in May 2021, the outcome of which was that the Council moved to a committee system of governance. This was adopted at the Annual Council meeting in May 2022, and resulted in a full revision of the Constitution and the way decision making works within the Council. The Council commenced its review of the new system of governance in November 2022 and the changes resulting from that review were implemented at the Council's Annual Meeting in May 2023. The Council is now divided into politically balanced committees that make decisions.



In November 2022, Sheffield City Council underwent a Corporate Peer Challenge conducted by the Local Government Association. The focus of the assessment was on the Council's corporate governance and leadership. As a result, several recommendations were identified and accepted by the Council. These recommendations include efforts to strengthen the implementation and functioning of its committee system by incorporating more public engagement and empowerment. Additionally, the Council will work on establishing transparent processes, protocols, and guidance to support these objectives.



The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and these are incorporated within the reports on Risk Management to the Performance and Delivery Board and the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.



The three Leadership Boards enabled all the Council's appointed Directors to have a direct role in leading the organisation. The Strategy Leadership Board, chaired by the Chief Executive, oversees the running of the organisation and is the conduit to the Council's political leadership.



The Sheffield Street Trees Inquiry concluded in March 2023 and put forward a set of recommendations regarding the Council's overall culture and governance that it aims to adopt.



## Opinion on the level of assurance provided by the Council's governance arrangements



The outcome of the review of the Council's governance arrangements is an opinion on the effectiveness of those arrangements. The Council has considered the findings of the review to assess whether its governance arrangements are fit for purpose in accordance with the governance framework. While the Council's governance arrangements are adequate, there is more that the Council can do to ensure it delivers its planned outcomes effectively.



The 2021/22 review has highlighted some governance issues, and the Council is developing a plan to better identify and resolve weaknesses in its internal control systems. The Council is also committed to continuous improvement of its governance framework. To support this, the Code of Corporate Governance is due to be reviewed in early 2024. The Council will also be supported by CIPFA to review the process for producing the Annual Governance Statement.

## Governance issues 2021/22

Several governance issues were identified in the **2021/22** Annual Governance Statement. Details of these issues, and an update on the progress of proposed actions to address them, are set out below.

HUMAN RESOURCES		
Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
<b>Personal Development Review (PDR) completion rates are low</b>	Expectations were communicated to employees and further communication was planned throughout the year. The process for recording PDRs was to be simplified to avoid the issue of completed discussions not being recorded.	The system element of the PDR process has been streamlined. New guidance and templates have been produced to support quality PDR conversations and the timescales have been outlined. This will continue to be communicated.
<b>Completion rates of mandatory learning need to be improved</b>	Mandatory learning was to be reviewed to reduce the number of training modules staff have to complete, and training was to be tailored to service areas. A new learning platform was to be introduced in October 2022. Communication plans were to accompany any organisation-wide focus on learning.	Completion rates for required learning remain below the 85% target. The Council will continue to issue reminders on learning requirements and will explore how information on compliance will be reported and shared.

Sheffield City Council Annual Governance Statement 2022/23



HUMAN RESOURCES		
Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
<b>Establishment controls tasks are not consistently applied</b>	Planned review and simplification of human resource processes and clearer instructions to be issued to managers about what is required.	Planned actions implemented and no further action required.
INFORMATION GOVERNANCE		
Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
<b>Statutory timescales for responding to requests for information are not being met due to a backlog of requests caused by the pandemic and resource constraints</b>	The Council implemented a case management system that enabled real-time tracking of requests. However, temporary recruitment was required to clear the backlog, and the Council proposed to further review managed of information requests as part of the Delivery Plan.	There is an ongoing backlog in this area. Improvement has been made and the operating model will be reviewed. The Council will also review a case management system for automating the process,. The FOI Internal Review backlog is being reduced by additional temporary resource, but the scale of the backlog means resource is required to adequately address the volume of information requests and achieve compliance. The ICO's audit (in May 2023) will shape the Improvement Action Plan.

INFORMATION GOVERNANCE		
Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
<b>Retention Schedules are not present or routinely applied</b>	The Council's Tech2020 Project includes transfer of documents and records to SharePoint, which allows retention policies to be applied. This process included a review of retention periods by departments.	The transfer to SharePoint has not been completed and the Council does not have up to date Retention and Disposal Schedules. This project needs to be reinstated and it is anticipated that new/replacement systems include questions about deletion and anonymisation at the point of tender. It is noted that this is a risk in relation to GDPR compliance.
<b>The Record of Processing Activities (ROPA) is not kept up to date when services make changes to their data processing activities</b>	A Council-wide plan of action was agreed to start in Autumn 2022 to build on work done with individual services. The ambition was for the ROPA to link with the Retention Schedule and the Data Privacy Impact Assessment (if relevant), privacy notice, and any security incident relating to that particular processing.	This remains an issue and the Council continues to work towards the ambition identified in last year's AGS. Services have been asked to review their ROPA and provide updated information to the Information Management Team.

## Governance issues 2022/23

Governance issues identified in **2022/23**, and the proposed actions to address them, are set out below.

HUMAN RESOURCES		
Governance issue	Details of risk	Proposed action
<b>Code of Conduct forms not being completed consistently</b>	Code of Conduct forms (including Council Policies Update, Declaration of Gifts and Hospitality and Declaration of Interest) should be read and signed by staff each year. This is not happening consistently, with this issue being exacerbated, in part, due to unavailability of the relevant forms in the Council's HR system.	There is ongoing work with the supplier to fix the modules in the HR system. Annual reminders will be sent out to all employees, and the Council is also exploring how information on compliance will be reported and shared.

INFORMATION GOVERNANCE		
Governance issue	Details of risk	Proposed action
<b>Privacy notices and telephone scripts may not be up to date or appropriate</b>	Privacy notices may not be up to date, meaning that there could be issues for GDPR compliance. Telephone scripts may also not contain adequate information about privacy notices.	All services will be required to review their privacy notices and/or telephone scripts to ensure that they contain accurate information.
<b>Legacy contracts may not have appropriate data processing agreements</b>	Contracts entered into before 21 September 2022 may not be up to date with regard to data processing and need to be updated to reflect the new UK transfer mechanism (International Data Transfer Agreement).	The Contracts Service will review all such contracts and, where personal data is processed in a country of non-adequacy, the data processing agreement will need to be updated by March 2024.

BUSINESS PLANNING		
Governance issue	Details of risk	Proposed action
<b>Service planning and workforce development plans not available</b>	Service plans play an essential role by establishing a connection between the Council's priorities, as outlined in the Corporate Plan, and the specific activities carried out by its services. The Council has not had a corporate plan for several years, relying instead on annual delivery plans. Furthermore, there were inconsistencies in the approach to service plans and development of workforce development across the Council.	The Council has prioritised the development of a standardised service plan template. More detailed guidance on the required elements of the plan has also been provided and the Council has ensured that the necessary data for creating the plans is easily accessible. The City Futures portfolio is relatively new, and with significant changes in directors, the creation of service plans in this area has been affected.
<b>Performance Management Framework not in place or not being followed</b>	There were issues in implementing the Performance Management Framework in that measures were not reviewed annually and routine reporting was not taking place. A review of the operating model for Performance Management had been stalled whilst changes were made to the senior officer structure.	The approach to performance management in the organisation has moved on and we now have a corporate performance framework that is reported quarterly to the Performance & Delivery Board as well as providing performance data to Members. The operating model review has now recommenced and as part of that we will be taking a holistic approach looking at culture, processes, systems, data, and structure which will hopefully alleviate the issues raised by services in the process of completing the AGS.

FINANCE		
Governance issue	Details of risk	Proposed action
<b>Variances in monthly budget forecasting</b>	Monthly Budget Forecasting over the year showed significant variances in the first quarter It is important that forecasts are as realistic as possible in year to avoid the Council undertaking actions which are not commensurate with its underlying financial position.	Monthly forecasts have been substantially improved over the remaining period. A greater focus on accurate forecasting has been developed as part of the Council's monthly monitoring protocols.
<b>Slippage in achieving Business Improvement Plans</b>	Business Improvement Plans (BIPs) delivery has a material impact upon the Council's financial standing. There was substantive slippage within the 2022/23 delivery plans which impacted the Council's outturn position and required a further call on earmarked reserves.	Governance on BIPs delivery has been strengthened and transformation resources have been identified to support accelerated delivery plans.

**The 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 Performance and Delivery Board and the Audit and Standards Committee.**

Sheffield City Council Annual Governance Statement 2022/23



## Timeline of governance issues

The timeline below shows when governance issues were identified and resolved. It also identifies issues that are ongoing.

Governance issue	Year identified					Status
	2018/19	2019/20	2020/21	2021/22	2022/23	
Personal Development Review (PDR) completion rates are low	✓	✓	✓	✓		RESOLVED
Completion rates of mandatory learning need to be improved		✓	✓	✓	✓	ONGOING
Establishment controls tasks are not consistently applied				✓		RESOLVED
Statutory timescales for responding to requests for information are not being met due to a backlog of requests caused by the pandemic and resource constraints			✓	✓	✓	ONGOING
Retention Schedules are not present or routinely applied		✓	✓	✓	✓	ONGOING
The Record of Processing Activities (ROPA) is not kept up to date when services make changes to their data processing activities			✓	✓	✓	ONGOING
Code of Conduct forms not being completed consistently		✓	✓		✓	RECURRENCE OF ISSUE
Privacy notices and telephone scripts may not be up to date or appropriate					✓	NEWLY IDENTIFIED ISSUE IN 2022/23

Sheffield City Council Annual Governance Statement 2022/23

## Timeline of governance issues (continued)

Governance issue	Year identified					Status
	2018/19	2019/20	2020/21	2021/22	2022/23	
Legacy contracts may not have appropriate data processing agreements					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Service planning and workforce development plans not available					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Performance Management Framework not in place or not being followed					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Variances in monthly budget forecasting					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Slippage in achieving Business Improvement Plans					✓	NEWLY IDENTIFIED ISSUE IN 2022/23



# Conclusion

The Council is satisfied that it has adequate governance arrangements in place. However, we have identified some actions that need to be taken in order to address some weaknesses identified in the review. We will monitor and review the implementation and operation of these actions as part of our annual review.

The Council will improve its governance arrangements by:

1. Updating its Code or Corporate Governance.
2. Addressing the governance issues highlighted in this AGS.
3. Reviewing the process for preparing the AGS.



**Cllr Tom Hunt**  
Leader  
[SIGNATURE]



**Kate Josephs CB**  
Chief Executive  
[SIGNATURE]

**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.

**Table 1 - Relevant union officials**

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

<b>Number of employees who were relevant union officials during the relevant period</b>	<b>Full-time equivalent employee number</b>
70	62.92

**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%	32
1-50%	22
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	£577,620.75
Provide the total pay bill	£342,447,957.06
<b>Provide the percentage of the total pay bill spent on facility time</b>	<b>0.17%</b>

**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?

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours</b>	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?

<b>Number of employees who were relevant union officials during the relevant period</b>	<b>27</b>	<b>Full-time equivalent employee number</b>	<b>7.12</b>
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**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%	13
1-50%	8
51%-99%	1
100%	5

**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	£232,686.80
Provide the total pay bill	£342,215,270.26
<b>Provide the percentage of the total pay bill spent on facility time</b>	0.07%

**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?

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours</b>	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.

#### Agent

The authority can be deemed an "agent", (rather than a "principal"), when it is acting as an intermediary in a transaction. Where an authority is acting as an agent, transactions shall not be reflected in an authority's financial statements, (with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position, and the net cash position is included in financing activities in the Cash Flow Statement.).

#### 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.

#### Principal

The authority can be deemed a “principal”, (rather than an “agent”), when the authority is acting on its own behalf during a transaction. All Principal transactions shall be included in an authority’s financial statements

#### 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 included in the final audited Statement of Accounts.