Doncaster
Metropolitan Borough Council

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To all Members of the

AUDIT COMMITTEE

AGENDA

Notice is given that a Meeting of the above Committee
is to be held as follows:

VENUE Council Chamber - Civic Office
DATE: Thursday, 27th July, 2017
TIME: **2.00 pm**

Items for Discussion:

		PageNo.
1.	Apologies for Absence	
2.	To consider the extent, if any, to which the Public and Press are to be excluded from the meeting.	
3.	Declarations of Interest, if any	
4.	Minutes of the meeting held on 21 June, 2017	1 - 10
A.	**Reports where the public and press may not be excluded.**	
5.	Audit Committee Action Log.	11 - 18
6.	Deprivation of Liberty Safeguards (DOLS) Interim Audit Report.	19 - 42
7.	2016-17 Annual Governance Statement.	43 - 58

Jo Miller
Chief Executive

Issued on: Wednesday, 19 July 2017

Governance Officer for this meeting:	Amber Torrington (01302) 737462

Members of the Audit Committee

Chair – Councillor Austen White
Vice-Chair – Councillor Richard A Jones

Councillor Iris Beech, Susan Durant and David Nevett

Co-opted Member: Kathryn Smart

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 21ST JUNE, 2017

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on WEDNESDAY, 21ST JUNE, 2017, at 2.30 pm.

PRESENT:

Chair - Councillor Austen White

Councillors Iris Beech, Susan Durant, David Nevett and Smart

APOLOGIES:

An apology for absence was received from the Vice-Chair, Councillor R. Allan Jones

65 DECLARATIONS OF INTEREST, IF ANY

Councillor Susan Durant declared a non-pecuniary interest in agenda item 5, 'Monitoring Officer Annual Whistleblowing and Standards report 2016/17'.

66 MINUTES OF THE MEETING HELD ON 6TH APRIL, 2017

RESOLVED that the minutes of the Audit Committee meeting held on 6th April, 2017, be approved as a true record and signed by the Chair.

67 MONITORING OFFICER ANNUAL WHISTLEBLOWING AND STANDARDS REPORT 2016/17

The Monitoring Officer's presented his Annual report on matters relating to ethical governance, including, details of any complaint handling activity carried out in consultation with the Independent Person with regard to allegations of Member misconduct and details of disclosures made by members of staff under the Council's Whistleblowing Policy during the last 12 months.

The Monitoring Officer gave an overview and explanation of the assessment of complaints process. It was reported that over the past 12 months, the majority of complaints received had not been taken further, as many simply did not fall within the scope of the Council's Code of Conduct. The Monitoring Officer further advised that as Code of Conduct investigations, when undertaken, were time consuming and used valuable resources, the benefit of carrying out such investigations must be balanced against the limited sanctions, which could be imposed upon Councillors, even in cases of poor behaviour. He added that it remained a frustration of himself and of other Monitoring Officers that following changes in the law in 2011, there were insufficient sanctions in place to deal with the more serious behavioural issues.

The Monitoring Officer highlighted that he was Monitoring Officer for both Doncaster MBC and the 41 Parish and Town Councils across the Borough, which comprised approximately 350 Councillors. In this context, the number of complaints received was relatively low and showed a pattern of good behaviour across Doncaster.

In response to a question from the Chair as to whether a complainant had a right of appeal if they were unhappy with the outcome of their complaint, Members were informed that whilst there was no right of appeal against the decision of the Monitoring Officer, the complainant could write to the Ombudsman, but the Ombudsman generally didn't deal with Code of

Conduct matters. In relation to cases of serious breaches, it was reported that there had only been one occasion where a complaint been brought to the Committee, since changes to the law and the complaints process in 2011.

Kathryn Smart sought clarity as to whether any feedback was given to whistle-blowers under the whistle-blowers' rights under the Public Interest Disclosures Act. The Monitoring Officer advised that subject to the complainant providing their contact details, the Council always endeavoured to write to complainants, where possible, to inform them of the outcome of an investigation, which gave them the opportunity to provide feedback. It was explained that, as a matter of process, the complainant's identity wasn't disclosed and any feedback provided by the complainant was taken on board**.**

Kathryn spoke of the importance of whistle-blowers being given the opportunity to provide feedback regarding the process, in particular, in terms of how they were treated, how they had been kept informed throughout the process and asked whether Whistle-blowers would be likely to report whistleblowing matters again. The Monitoring Officer advised that whistle-blowers were not asked this question at the end of the process, however, indicated that this was something that could be taken on board in the future and further consideration would be given to including this as part of the feedback.

The Chair asked whether there was any evidence that people were reluctant to make whistle-blowing complaints for fear of retribution. Members were informed that the Council endeavoured to make the Whistleblowing Policy as visible as possible. There had been some internal communication on the Chief Executives intranet column, which had brought the Policy to staffs attention. In relation to the success of the Policy, Members were informed that it was difficult to gauge the success of the policy. A low number of complaints doesn't suggest a policy that doesn't work, rather it could suggest an organisation where members of staff were able to raise issues with their line managers rather than use the whistleblowing policy.

Helen Potts, Senior Legal Officer further advised that the Council did try to keep whistle-blowers updated throughout the process, but highlighted that on occasions whistle-blowers had not been happy with the outcome, as it did not give them the result they had wanted. Members were assured that any feedback was taken on board and when whistle-blowers received the outcome, they had taken the opportunity to provide feedback if they had not been happy with the process. Members were also informed that members of the public were also allowed to whistleblow for the first time, as part of the procedure, which had resulted in members of the public coming forward.

The Chair commented that there appeared to be a discrepancy regarding the number of complaints detailed within paragraph 6 of the report, to that of the corresponding table of complaints attached at Appendix A, which were contradictory. The Assistant Director of Legal and Democratic Services apologised for the numerical error and indicated that the information in the schedule at (Appendix A) was correct and undertook to amend the report.

RESOLVED that

(1) the Monitoring Officer's Annual report on compliant handling activity for the period 1st April 2016 to 31st March 2017, be noted; subject to the necessary amendments being made, as outlined above; and

(2) the Whistle-blowing returns for 2016/17, be noted.

68 REGENERATION AND ENVIRONMENT - STRATEGIC RISK MANAGEMENT

Further to the above Minute, Peter Dale, Director of Regeneration and Environment presented a report, which provided an in-depth analysis of how the four strategic risks aligned to the Regeneration and Environment Directorate were managed, reviewed and reported, following the Committee's consideration of the Strategic Risk Mapping report on 17th August 2016.

The Director of Regeneration and Environment outlined the four strategic risks identified in the 2016/17 risk register including:-

- Engagement in the City Region to secure economic benefits for Doncaster
- Impact of Brexit on funding / projects (Joint risk with Finance & Corporate Services)
- Dealing with emergencies (emergency planning and resilience)
- Ensuring robust health & safety exists

Tracey Harwood, Head of Service Regulation and Enforcement, with responsibility for Emergency Planning, Christian Foster, Head of Service, Strategy and Performance Unit and Simon Wade, Interim Health and Safety Manager, were in attendance at the meeting to respond to Members' questions.

In referring to the Strategic Risk, 'Failure to respond adequately to Borough emergencies' and in light of the recent tragic fire at Grenfell Towers in London, Members asked whether a risk assessment had been carried out on sprinklers in the Council's Tower blocks and whether the buildings complied with all regulations. The Director of Regeneration and Housing advised that following the terrible situation in London last week, he and the Deputy Mayor were to attend a meeting, following this meeting with the Council's housing provider St Leger Homes to look at the current position in relation to the Borough's Tower Blocks. He advised that there had been recent risk and fire risk assessments undertaken on all high rise buildings and the Council was currently in the process of analysing the cladding on all the buildings to ensure that it was safe. The Council had been working with the South Yorkshire Fire and Rescue Service who had provided the Council with the information it required with regard to sprinkler systems. The Council had also been working with the Department of Communities and Local Government and been providing the department with the necessary information.

Members also referred to Tower Blocks only having one exit and cladding on houses, flats and shops and asked whether the Council was to carry out inspections on all premises. The Director of Regeneration and Housing confirmed that the Council would be looking at all Council owned buildings across the Borough as part of the review.

In relation to the status of the target risks in the Appendix to the report, Kathryn Smart felt that it wasn't clear from the information provided, when it was expected that the target risks were to be reduced and sought assurance when the mitigating actions would reduce the risk. It was reported that risks were reviewed on a quarterly basis, as part of the performance and review process. Whilst some targets were moving, the risks relating to Sheffield City Region (SCR) devolution and the European Union would continue to be assessed in terms of their impact on Doncaster. In relation to Borough Emergencies, it was reported that whilst the Council mitigated such events as far as possible, it was pointed out that when they did occur, in some circumstances they were out of the Council's control, but would therefore try to manage the event. It was confirmed that the target risks would be reviewed for the next quarter.

In referring to the target risk in relation to 'Failure to identify and manage Health and Safety risks, the Assistant Director of Finance provided an explanation as to the reasons why the current risk score was 6, with a target risk of 8. It was expected that this would be reviewed within the next quarter and it was explained that this was a timing issue.

In relation to the Strategic Risk regarding SCR, the Chair asked for an update on the current position and what steps the Council was taking in protecting its position and security investment, in light of Chesterfield Council signalling its withdrawal from the SCR deal and how would this affect the feasibility of the SCR. The Director of Regeneration and Housing reported that the Chair of the SCR Combined Authority, Councillor Sir Stephen Houghton had commented that the decision that had been made was disappointing but nonetheless, Chesterfield Borough Council and Bassetlaw District Council, although they had withdrawn their afiliation as full members of the SCR, there were plans to continue to work constructively with them. Information posted on Councillor Sir Stephen Houghton's website had indicated that Councillor Tricia Gilby from Chesterfield Council was going to be the Vice-Chair of the SCR Combined Authority. He explained however, that the decision had created some uncertainty, as it was not clear from the Government at this stage, what their views were on devolution. Councillor Sir Stephen Houghton had said that politicians across the SCR would now need to take time to consider putting the steps in place for SCR's devolution change. He further explained that the consultation, which was previously planned in July, would not now take place because Bassetlaw and Chesterfield Councils had withdrawn their applications. Members were informed that SCR Combined Authority was to discuss the next steps at a meeting on 17th July. In relation to the impact on funding that was currently in place, Doncaster Council had faired very well. In relation to the SCR infrastructure fund, this year the Council had planned expenditure of 53% of the SCR's planned spend. It was further reported that the Council was in the process of delivering on projects such as FARRRs and the Markets; money was already being spent on these projects, therefore it was felt that there was not a risk to the Council.

In response to a further question as to whether the funding that had been allocated to Chesterfield and Bassetlaw would re-allocated into the central funding pot, Members were advised that this funding had been agreed as part of the previous allocation deal. Chesterfield and Bassetlaw remained members of the SCR and their actual membership level didn't make any difference. In relation to the accounts, and in particular the Devolution deal, this related to new monies that hadn't yet been committed or received.

During further discussion, Officers responded to questions from the Chair in relation to managing Health and Safety risks and assurances were given that robust arrangements were in place to ensure that they were fit for purpose.

The Chair also sought information regarding how risk management operated generally in the Directorate, particularly in relation to how service risks were identified, monitored, recorded, managed and whether there was any evidence of risk management taking place improving the actual management of risk. It was reported that risk assessments were carried out at service level across the Directorate. In terms of improvement, this was reviewed on a regular basis to assess the risks identified and any additional risks to be planned for. In relation to managing risks, Members were advised that further training was to be explored across the Council, and whilst it was not mandatory at the moment, Officers were looking to enhance the community learning and provide classroom based and risk based training, which would be part of the mandatory process moving forward, in order that people were aware of the processes. Officers were also looking at developing specific risk assessment training and for accredited training to be spread across the Council to ensure that robust risk assessments were in place. Furthermore, risk management systems had been put in place to manage the risks, demonstrating the risk and mitigations taken. The Directorate continued to horizon scan and respond to best practice to improve mitigation and were looking at risks from both a European and National Government perspective in order to minimise risk.

Members noted the progress made to date and the aspirations to make improvements, however, Members acknowledged that this may take time and costs to do so.

> RESOLVED that the report on Regeneration and Environment, Strategic Risk Management, be noted (in particular the risk mitigations that were currently in place with Regeneration and Environment).

69 COVERT SURVEILLANCE - REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

Further to the above Minute, Helen Potts, Principal Legal Officer, presented a report which set out the Council's Regulations of Investigatory Powers (RIPA) Procedure and the RIPA applications that had been authorised since the last report to Committee in April 2016.

The Council's RIPA procedure had been reviewed as part of the yearly report. The Procedure was last amended in response to the Surveillance Commissioner's inspection on 5th January 2016 and approved at the Audit Committee in April 2016. The current procedure was attached at Appendix 1 of the report for Members' information. Appendix 2 of the report detailed the covert surveillance authorisations since the last report in April 2016 and an update on earlier authorisation outcomes from recently completed matters. Where an authorised surveillance involved a number of premises this was now detailed in the Appendix.

Arising from a query by the Chair regarding whether the Office of Surveillance Commissions undertook inspections on a yearly basis, the Principal Legal Officer advised that there were no specific timescales regarding inspections. The last inspection was conducted in January 2016 and the action plan arising from the inspection was now complete. It was reported that in-house training was to be provided to those staff involved in Covert Surveillance, which would now take place in July, due to delays with the election.

In relation to tracking the illegal sales of alcohol, a Member raised a particular concern as to whether these matters were referred to the Licensing Committee. It was reported that day to day licensing matters were dealt with by the Trading Standards Team, however assurances were provided that all measures were taken by the Team to deal with repeat offenders, and such matters would be brought back to the Licensing Committee.

In response to a question from Kathryn Smart as to whether there was an expiry date in relation to URN98, URN99 and URN100 covert surveillance authorisations, as detailed in Appendix 2 to the report, it was reported that these had run for 3 months and had since expired. Action had been taken, in all respects, which had resulted in either a prosecution, a warning, or that no action was required. It was further explained that there was a statutory timetable for each surveillance. Arising from a further query as to why no specific location had been identified with regard to illegal tobacco sales in relation to URN103, Members were informed that this particular matter related to an individual that was known to be active in this area, and was not related to an off licenced premises.

RESOLVED that

(1) the Council's RIPA procedure, as attached at Appendix 1 to the report, be approved;

(2) the 4 RIPA applications that had been authorised since the last report in April 2016, as attached at Appendix 2 to the report. (No RIPA applications had been refused by the Magistrates), be noted; and

(3) the actions concerning online training following the recommendation of the Audit Committee in November 2016, be noted.

70 AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2017/18

Peter Jackson, Internal Audit Manager, presented a report which set out the formal Terms of Reference for the Audit Committee for 2017/18, as approved by Annual Council at its meeting on 19th May, 2017 and highlighted the minimal changes that had been made to the previous year's Terms of Reference.

A Prospectus setting out the scope and standards applicable to the Audit Committee was detailed in the Appendix to the report. This showed how these and the Terms of Reference enabled the Committee to comply with Local Government Audit Committee standards and the

Council's requirements of the Committee. The Prospectus included a draft Work Programme, which demonstrated how the Committee would fulfil its Terms of Reference for the year.

The Internal Audit Manager drew Members attention to Appendix 1 of the Audit Committee's Work Plan for 2017/18. This set out some areas previously reported to the Committee where they had requested further updates be reported back to them. These reports would help contribute to the assurance that the Audit Committee's plan would deliver the Audit Committee's responsibilities.

Arising from a query from Kathryn Smart in relation to Section 1, 'Audit Activity' of the Audit Committee's Terms of Reference, as set out at Appendix A to the report, the Internal Audit Manager agreed to look at reviewing the Terms of Reference to make it more explicit that a key duty of the Audit Committee was to sign off the Internal Audit Plan.

In noting Section 2, Regulatory Framework, of the Terms of Reference, Kathryn Smart suggested that greater clarity was required to make clear what functions the Audit Committee would be undertaking. The Internal Audit Manager agreed to review the Terms of Reference in light of Kathryn Smart's comments and report back to this Committee.

In referring to the outcomes expected to be achieved by the Audit Committee in meeting its responsibilities in ensuring that there were effective governance arrangements in place and operating throughout the organisation, as referred to in the Section' How would the Audit Committee know whether they had succeeded', Kathryn Smart felt that the outcomes needed to be more specific from an audit opinion in terms of what had been achieved, therefore, felt they should be expanded further. The Internal Audit Manager confirmed that he was happy to consider these comments and agreed to progress these with Kathryn outside of the meeting.

<u>RESOLVED</u> that

(1) the Terms of Reference for the Audit Committee for the 2017/18 Municipal Year, be noted; subject to the comments, as outlined above.

(2) the Prospectus setting out the Audit Committee's scope, standards and work programme for the year, be approved; and

(3) the Internal Audit Manager to progress the issues raised as above by Kathryn Smart in respect of this report and report back to the Committee at a future date.

71 <u>AUDIT COMMITTEE ACTIONS LOG</u>

The Committee considered the Audit Committee Actions Log, which updated Members on actions agreed during Audit Committee meetings. It was reported that of the actions identified in the report, all except three were classified as "green", which indicated that either they had been fully addressed or because arrangements were in hand to complete the actions as agreed. The one outstanding 'Red' rated item is in relation to the Solar Centre Contract Breach, which was due to be considered at the Committee's meeting in October to update members on progress to address this issue. Two 'Amber' items related to a slight delay in the delivery and completion of the RIPA training.

During discussion regarding the revised date for completion of Covert Surveillance RIPA training and further to a request from Members, the Internal Audit Manager suggested to extend the completion date for the training, to the Audit Committee's meeting in July, in order to allow Members more time, which the Chair was agreeable to.

In relation to the Solar Centre Update, the Chair asked whether Officers were on course to bring forward a satisfactory position on this matter. The Internal Audit Manager commented that there had been a lot of activity around this area. A person has since been appointed to look at the Solar Centre and a number of other RDaSH establishments. He explained that this issue was not straight forward to resolve and there was a lot of work to be undertaken in this area. Work was on-going and draft proposals were being drawn up. The Internal Audit Manager reported that it was not yet clear regarding the timescales involved, however he confirmed that an update on this issue was already scheduled to be provided to Members at the October meeting of the Committee.

RESOLVED that the progress being made against the actions agreed at the previous Committee meetings.

72 STATEMENT OF ACCOUNTS 2016/17

The Committee considered a report presented by the Chief Financial Officer and Assistant Director of Finance, which detailed the Council's unaudited Statement of Accounts for the 2016/17 financial year. The report highlighted the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.

It was reported that year on year; the Council had reduced the timescale for producing its draft accounts, whilst at the same time, had improved the robustness of the process. It was noted that for the production of the 2017/18 accounts, there would be a statutory requirement to produce these by 31st May, 2018.

On behalf of the Committee, the Chair congratulated all staff involved for the work carried out so far.

Kathryn Smart in noting the draft accounts, raised a number of issues where she felt it would be useful, from an external readers perspective, to provide greater clarity, notably in relation to actions to address school absenteeism and staff sickness levels. During further discussion, it was agreed that a web-link be included in the Statement of accounts, signposting people to where further information on these areas could be found by accessing the Outturn report. It was agreed that Kathryn would forward any additional areas of concern or issues where further clarity was required, by email to Faye Tyas, following the meeting.

In response to questions from the Chair and Members, clarification was provided in respect of the following issues:-

- Managing fluctuating Reserve levels, having regard to competing pressures, notably in Children's Services and Adult, Health and Social Care.
- The context of performance management indicators and an achievement of 91% was considered an excellent achievement.
- Managing the budget deficit
- Detailed aspects of the budget relating to Adults, Health and Wellbeing, Doncaster Children's Services Trust and the Learning Opportunities directorates and Treasury Management issues.
- Managing Pension Fund liabilities for St Leger Homes and Doncaster Children's Services Trust.

In approving the draft accounts, the Committee wished to place on record its appreciation for the excellent performance in many areas of the Council, particularly with regard to apprenticeship levels and increased social housing provision.

RESOLVED that the Statement of Accounts for the 2016/17 financial year, be noted.

73 ANNUAL GOVERNANCE STATEMENT 2016/17

The Committee received the Annual Governance Statement for 2016/17. The Council's governance arrangements in place during 2016/17 had been reviewed and an annual governance statement had been produced and was attached at Appendix A to the report.

Members noted that there had been 2 significant weaknesses reported in 2016-17, which were Adult, Health and Wellbeing (Contract and Commissioning Arrangements) and Deprivation of Liberty Safeguards (Best Interest Assessments), as detailed on page 5 of Appendix B of the report. The Governance Statement highlighted the key areas of improvement from 2015-16 that had been completed and had been effectively managed to the extent that they were no longer significant in 2016-17.

In presenting the report, the Chief Financial Officer and Assistant Director of Finance, drew Members' attention to the new format that had been introduced which included a Statement of Principles, as set out on page 2 of the Appendix. It was reported that some of the key areas for improvement were near completion however, there remained some issues identified during previous years that were yet to be resolved and would be carried forward as part of the 2017/18 action plan.

In response to a question from Kathryn Smart, the Chief Financial Officer and Assistant Director of Finance indicated that he would look at the enhancements suggested to the wording within the report around the assurances/opinions given by Internal and External Audit.

Kathryn Smart asked whether consideration had been given to including Markets and Drainage Boards, as areas requiring improvement. In relation to Drainage Boards, it was reported that these boards were not directly operated by the Council but that the Council did appoint Commissioners to the Boards. Whilst there were some serious failings in governance arrangements around Drainage Boards, these were more significant, in terms of their impact, on the individual Drainage Boards, rather than their impact on the Council and so were not included within the Annual Governance Statement. It was highlighted that an update report was to be submitted to the next meeting of the Committee, summarising the current position with regard to the 3 Drainage Boards based within the borough, incorporating some work that had been done with the National Audit Office who had produced a national report on Drainage Boards. In terms of the Markets, it was reported that an update report had been presented to the Committee in July last year. This reported a better level of assurance that was indicative of a much improved control environment in relation to the governance and financial management arrangements and the Health and Safety issues which were highlighted at that time. Markets were not therefore included in the Annual Governance Statement this year.

During discussion, the Chief Financial Officer and Assistant Director of Finance reported that there was a Council wide misunderstanding of the actual purpose of the Governance Statement, with there being some low level issues raised by Officers. It was reported that the Annual Governance Statement was intended to provide a holistic, high level strategic look at the Council's governance arrangements and so it was intended to provide training for officers on the purpose of the Annual Governance Statement later on in the year.

In relation to the on-going key improvement areas identified in Appendix A of the report, Members sought assurance that safeguards had been put in place to bring the completion dates back on track. It was reported that a 6 monthly update on these issues would be provided to the Committee in future.

RESOLVED that

(1) subject to the Committee's comments above, the draft statement be approved in principal and subsequently a final version will be presented to Audit Committee on 27th July, for their approval; and

(2) it be noted that the Mayor and the Chief Executive will be asked to sign the final Statement, after approval at Audit Committee on 27th July and prior to its publication along with the Statement of Accounts.

74 LOCAL CODE OF CORPORATE GOVERNANCE

Members considered a report which proposed a draft Local Code of Corporate Governance 2017/18. Members noted that the Local Code brought together all the policies and procedures in one place at the Council, which would enable the Council to meet the seven principles of good governance as set out in the CIPFA/SOLACE Framework and outlined in more detail in the report.

The Audit Committee had delegated responsibility for considering governance related matters at the Council, including approving the Council's Annual Governance Statement. It was proposed to recommend that the authority for approving the Local Code, be delegated to the Audit Committee at the Council AGM on 19th May, if Directors agree with the production and adoption of a Local Code.

RESOLVED that the production of a Local Code of Corporate Governance, be supported; and the draft Local Code of Corporate Governance 2017/18, as attached to the report, be approved.

75 QUARTER 4 2016/17 STRATEGIC RISK UPDATE

The Committee was provided with an overview of the Strategic Risks profiles for Quarter 4 2016/17. 18 strategic risks had been identified and all had been updated as part of the scores. Details of the full strategic Risk Profile, was attached to the report at Appendix A.

Members noted that one risk had been identified for demotion, which related to failure to set robust assumptions on pension's deficit recovery and future contribution rate for the 2016 valuation. No new risks had been proposed. To ensure an holistic approach to the management and quality of information and data, it is proposed to reword the following strategic risk FROM: Failure to improve Data Quality will prevent us from ensuring that data relating to key Council and Borough priorities is robust and valid, TO: Failure to ensure the Council meets its statutory information governance requirements and maintains quality data.

16 risk profiles had remained the same during the quarter. Effective mitigating actions had reduced 2 profiles relating to:

- Failure to deliver the actions identified in the Equality and Inclusion action plan may impact our ability to effectively embed and delivery the equality agenda which could result in the council being exposed to public 'due regard' challenge;
- Failure to identify and manage Health and Safety risks;

No profiles had increased during the quarter.

In presenting the report, the Assistant Director of Finance and Chief Financial Officer observed that in his view the management of the risks was an Executive function and the role of this Committee was to monitor the actual management of the Strategic risks. It was reported that in future the Vice-Chair of the Committee, Cllr Richard A. Jones would be invited to attend the Quarterly Performance challenge meetings.

Whist recognising that risk management was good throughout the authority, the Chair asked whether there was a desire to further improve risk management and was there a timeline to achieve this. The Chief Financial Officer and Assistant Director of Finance reported that this would be looked at and further work would be undertaken to improve risk management including, continuing to review and mitigate strategic risks.

It was also noted that SCR Devolution was an issue that would be considered at Quarter 1 discussions to determine whether this needed reviewing, together with other strategic risks.

Members noted that it was proposed to streamline the reporting mechanisms to provide more focused reports, which were expected to be in place by Quarter 4.

RESOLVED that

(1) the report on Quarter 4 2016/17 Strategic Risk Update; be noted; and

(2) the proposed demotion of the Strategic Risk around the pension deficit (paragraph 3), be noted.

CHAIR:__________________________________ DATE:__________________

Doncaster
Metropolitan Borough Council

27th July 2017

To the Chair and Members of the AUDIT COMMITTEE

AUDIT COMMITTEE ACTIONS LOG

EXECUTIVE SUMMARY

1. The Committee is asked to consider the Audit Committee Actions Log which updates Members on actions agreed during Audit Committee meetings. It allows Members to monitor progress against these actions, ensuring satisfactory progress is being made.

EXEMPT REPORT

2. The report does not contain exempt information.

RECOMMENDATIONS

3. The Committee is asked to;

- **Note the progress being made against the actions agreed at the previous committee meetings and**
- **Advise if any further information / updates are required.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Regular review of the actions agreed from the Audit Committee meetings enables the Committee to ensure it delivers against its terms of reference and is responding to important issues for citizens and the borough. The action plan update helps support openness, transparency and accountability as it summarises agreed actions from reports and issues considered by the Audit Committee.

BACKGROUND

5. The Audit Committee Issues Log, which is updated for each Audit Committee meeting, records all actions agreed during previous meetings. Items that have been fully completed since the previous Audit Committee meeting are recorded once as complete on the report and then removed for the following meeting log. Outstanding actions remain on the log until completed.

6. The action log shows details relating to 16 actions requested in previous meetings. Of these:
   - 4 have been completed and will be removed from the next action log
   - 8 have yet to reach the agreed action date and are on track
   - 3 are partially completed relating to the provision and take-up of training in relation to covert surveillance and the Regulation of Investigatory Powers Act

- The final action stays on the log as incomplete. This is in relation to the Solar Centre Contract Breach – as previously discussed, further reports will be provided to committee in October to update members on progress to address this issue.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

7. There are no specific options to consider within this report as it provides an opportunity for the Committee to review and consider progress made against ongoing actions raised during previous Audit Committee meetings.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

8.

Outcomes	Implications
All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	
People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	
People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	
All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
Council services are modern and value for money.	Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough
Working with our partners we will provide strong leadership and governance.	The work undertaken by the Audit Committee improves and strengthens

	governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

9. The Audit Committee contributes to the effective management of risks in relation to audit activity, accounts / financial management risk management and other governance / regulatory matters.

LEGAL IMPLICATIONS

10. There are no specific legal implications associated with this report

FINANCIAL IMPLICATIONS

11. There are no specific financial implications associated with this report.

HUMAN RESOURCES IMPLICATIONS

12. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

13. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

14. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

CONSULTATION

15. The Audit Committee Action Log has been produced following consultation with members of the Audit Committee to address the risk of agreed actions not being implemented.

BACKGROUND PAPERS

16. None

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, Tel 01302 862939,
Email: colin.earl@doncaster.gov.uk

Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

APPENDIX 1

AUDIT COMMITTEE ACTION LOG – JULY 2017

Follow-up actions from previous meetings:-

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting June 2017				
Audit Committee Prospectus, Terms of Reference and Work Programme 2017/18				
6a	P Jackson to review Audit Committee Terms of Reference to make more explicit the Committees responsibility to approve the Internal Audit Plan	This will be considered when terms of reference for all Council committees are reviewed in 2018.	P. Jackson	Scheduled - Not yet due
6b	K Smart to provide additional form of wording to improve the Prospectus	Additional wording received and incorporated into the Prospectus which has been provided to Audit Committee Members	Peter Jackson	Yes – revised prospectus provided to Committee members.
Annual Governance Statement				
9	Enhancements suggested to wording within the report around the assurances / opinions given by Internal and External Audit	Changes to be reflected in the final version of the AGS for approval at July's Committee	Steve Mawson	Yes – revised Annual Governance presented to July Audit Committee.
Meeting April 2017				
Strategic Risk Management in Learning and Opportunities				
52	Committee to receive further evidence on the risk management of the Doncaster Childrens' Services Trust.	Report to be provided to October 2017 Audit Committee following the OFSTED inspection	Damian Allen	Scheduled on the Audit Committee work programme for October – not yet due

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Safeguarding Adults Personal Assets Team - Responsive Review.				
53	Committee to receive a further update report at its October meeting.	Report to be provided for October 2017 Audit Committee	Steve Mawson	Scheduled on the Audit Committee work programme for October – not yet due
Adult Social Care Commissioning Review Programme 2017-2021				
55	Committee to receive a further update report at its October meeting.	Report to be provided for October 2017 Audit Committee	Damian Allen	Scheduled on the Audit Committee work programme for October – not yet due
Solar Centre Update				
57a	Committee to receive a further update report on the conclusion of the contractual position at its October meeting.	Report to be provided for October 2017 Audit Committee	Damian Allen	Scheduled on the Audit Committee work programme for October – not yet due
57b	Committee to receive a backward looking report from Internal Audit surrounding the chronology and reporting of the Solar Centre at its October meeting.	Report to be provided for October 2017 Audit Committee	Colin Earl	Scheduled on the Audit Committee work programme for October – not yet due

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
49 b	**From Meeting April 2016 report - Financial and Purchasing and Contract Procedure Rules** Solar Centre – Individual reviews taking place. Update to be provided in the next audit committee report.	An independent project manager has recently been contracted by Doncaster Council to co-ordinate and lead on resolving this issue.	Patrick Birch	No - A project and implementation plan will be outlined to the October Audit Committee in relation to options, proposals and potential timescales relating to the Solar Centre.
Quarter 3 - Strategic Risk Update				
58	The Assistant Director Finance and Chief Finance Officer to ensure 'Adults, Health and Well-Being commissioning and procurement arrangements' is considered for inclusion in the strategic risk register	To be considered as part of the Quarter 1 challenge process.	Steve Mawson	Yes – being considered in the Q1 2017/18 review process
61b	Committee requested a report providing information on the existence and current effectiveness of the Council's ethical arrangements	A report has been scheduled in the Committee's work programme for the 2017/18 year	Scott Fawcus	Scheduled on the Audit Committee work programme for February 2018 - not yet due
Meeting January 2017				
Internal Audit Progress Report				
42b	Internal Audit to provide numbers of outstanding lower level recommendations in future progress reports	Report to be provided to July 2017 Audit Committee	Colin Earl	Yes – Report provided to July Audit Committee Meeting

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Income Management Progress Report				
46	Follow-up report on income management to be received in Autumn 2017	Report to be provided for October 2017 Audit Committee	Steve Mawson	Scheduled - Not yet due
Meeting November 2016				
Covert Surveillance - Regulation Of Investigatory Powers Act 2000 (RIPA) - Update				
30 a	Assess with HR whether RIPA training could be made mandatory for relevant Line Managers.	HR has confirmed this can be classified as mandatory training for relevant officers. Details of all officers who need to complete the training has been provided to HR who will ensure the training is completed. A completion date for the training has been revised to 30th June 2017 (from April 2017).	Helen Potts	Incomplete – Not all officers have completed the training
30 b	Assess with HR if Audit Committee Members could undertake RIPA training on-line.	HR has confirmed that members can complete the RIPA training on-line as long as they are set up on the system. Instructions have been provided to members on how to do this. A completion date for the training has been revised to 27th July due to election commitments and changes in membership of the committee.	Helen Potts	Incomplete – Not all Members of the Audit Committee have completed the training

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting August 2016				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update				
51	Refresher training to be provided in 12 months' time.	In process of being arranged for April 2017.	Helen Potts	Training has been booked for 20th July 2017

Doncaster
Metropolitan Borough Council

Date: 27th July, 2017

TO THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE

DEPRIVATION OF LIBERTY SAFGEGUARDS (DOLS) INTERIM AUDIT REPORT

EXECUTIVE SUMMARY

1. This report is an interim report into significant weaknesses found by Internal Audit in the Council's processes for managing and monitoring the carrying out of Deprivation of Liberty Safeguards (DoLS) assessments by the Council. It is presented to the Audit Committee at this point in view of reference to the matter in the Council's Annual Governance Statement 2016/17, which the Audit Committee is responsible for approving. **It should be noted that there were no safeguarding issues found as part of the review; the clients in question were receiving the care that they needed**. The review, however, identified that the operational management of the DoLS process was poor and it was supported by systems that were heavily manual and not fit for purpose.

2. The DoLS Team is a relatively small service within the Directorate of Adults, Health and Wellbeing Directorate. It deals with the assessment of people who lack mental capacity and who need to placed and detained in care homes, respite care or hospitals for their treatment or care in order to protect them from harm. Essentially, if someone loses mental capacity and becomes unable to consent to care or treatment, it may be in the individual's best interest for someone to make a decision for them about their care and where they should receive it (the most common example being the placement of someone in a care home).

3. Deprivation of Liberty Safeguard procedures are provided under the Mental Capacity Act 2005 and are there to ensure that no one is detained when it is not in their best interests and to prevent arbitrary detention where other possible alternatives have not been considered.

4. The DoLS Team receives referrals from care providers to undertake / arrange independent DoLS assessments for individuals. Each assessment is made of 6 individual elements that are completed by 2 different assessors:
   - one is usually a medical professional who undertakes the mental health elements of the assessment, and
   - the other is a 'best interest assessor', often a social care professional who has completed extra training in order to be able to undertake the assessments.

5. All mental health assessments are outsourced to appropriate medical professionals. Best interest assessments are done by a combination of Council staff and external assessors. Best interest assessments (this is the part that can be done internally) take 6-10 hours to complete. A Supreme Court Decision in 2014 increased dramatically the number of assessments required to be carried out by local authorities. The Council is now receiving requests on average for 120 to 130 assessments per month.

6. Issues within the DoLS Team were uncovered when a proactive data analytics exercise by Internal Audit found that payments to employees for undertaking best interest assessments were, unusually, made through the Accounts Payable system (creditors). After this work and some matters raised by the Accounts Payable Team in the Finance and Corporate Services Directorate, a full audit review was instigated. The report attached at **Appendix 1** summarises the issues uncovered and progress made to resolve the issues found.

7. Headline key issues identified were that:

    - The return of assessments distributed to assessors was not routinely monitored or outstanding assessments actively chased up when overdue;
    - No performance information was available routinely to monitor the service, with significant amounts of manual input required to determine the level of outstanding cases at any one point in time;
    - The inappropriate payment of employees undertaking best interest assessments through the Accounts Payable (creditors) system rather than via payroll;
    - Little or no consideration of the working time directive when allocating best interest assessments to employees to do in their own time on top of their existing day job;
    - In one case in particular the allocation of a volume of assessments that was significantly in excess of what could reasonably achieved within the set deadlines;
    - In some cases, payments were made in advance of the work (assessments) being competed, in contravention of the Council's Financial Procedure Rules, this also leading to overpayments being made for assessments that were never completed;
    - In many other cases payments were made at the point of receiving assessments but before the assessments had been quality checked, i.e. essentially before it was checked that the assessments were satisfactory, because of a significant backlog that existed;

- There was heavy and inappropriate reliance on spreadsheets to record the Team’s activity and assessments;
- Linked to the above point, there was poor data quality, with numerous examples of missing information and erroneous data including missing assessment dates, missing and incorrect information on who the assessment was completed by / allocated to and even in some case client names.

8. Significant backlogs were identified within the process throughout, with delays in the completion, review and eventual signoff of the assessments. Nationally however, such backlogs are not uncommon. The backlog of current assessments as at 6th of July was as follows:

Total number of required assessments not currently allocated to assessors	629
Total number of allocated assessments still outstanding (not yet returned by the assessors)	171
Total number of assessments awaiting sign off	837
Total number of assessments outstanding	1637

9. The number of assessments awaiting sign-off included above (837 cases) includes 511 cases where the assessments were obsolete. Essentially these were cases where the individual is now deceased, has been discharged from hospital or respite care or has moved and a new / different assessment is now required. Further details on each of these issues can be found in the report attached at **Appendix A**.
10. There have been many changes in service management which have not helped to ensure there was appropriate control and oversight of the activities of the DoLS Team. Senior management responsible for the service when these issues first arose have since left the organisation. Current management are now taking steps to remedy the problems identified.
11. It should be noted that actions remain in progress at the time of this report but that substantial effort has been put into addressing the situation not least through the replacement of the entire process with a more suitable one within the Care First system

EXEMPT REPORT

12. This is not an exempt report.

RECOMMENDATIONS

13. **The Audit Committee is asked to note the audit review and the actions taken to date to address the issue by the Adults, Health and Wellbeing Directorate.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

14. Adult safeguarding is a fundamental part of the Council's remit and the Council needs to ensure that it complies with DoLS requirements to ensure that the liberties and rights of those needing care are not infringed. Ensuring that the service is fit for purpose and operating effectively is critical to supporting adult safeguarding and ensuring that in providing this service, the Council complies with the Care Act and safeguards its most vulnerable citizens.

BACKGROUND

15. This report provides the Audit Committee with information on the outcomes from and progress of the DoLS review and associated improvements and allows the Committee to discharge its responsibility for monitoring the Council's exposure to risks.

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

16. Not applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	**Implications**
	All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	None
	People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	The DoLS function is part of the Adults, Health and Wellbeing directorate who lead on adult safeguarding. The purpose of the DoLS function is to safeguard the liberties and rights of vulnerable individuals.

		Ensuring that the service is fit for purpose and operating effectively is key to ensuring that the Council complies with the Care Act and safeguards its most vulnerable citizens.
	People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	None
	All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	None
	Council services are modern and value for money.	Initial analysis of the DoLS function was that it is neither modern nor value for money with substantial weaknesses and heavily manual process. Work is underway to ensure the service is modern and fit for purpose.
	Working with our partners we will provide strong leadership and governance.	None

RISKS & ASSUMPTIONS

17. Failure to address governance and operational and management weaknesses within the DoLS function exposes the Council to the following risks:-

- Potential reputational damage to the Council as a result of a failure to undertake assessments within the required timescales;
- Potential legal litigation as a result of any failure to / delay in the assessment of an individual's circumstances should it be determined that an individual had been wrongly detained in a care environment;
- Potential financial loss as a result a failure to control payments being made to mental health and best interest assessors;
- Potential breach of the law.

LEGAL IMPLICATIONS

18. Failure to implement a re-engineered process within DoLS potentially causes a detrimental impact upon the reputation and business affairs of the Council and could possibly result in litigation as a result of a failure to / delay in the assessment of an individual's circumstances should it be determined that an individual has been wrongly detained in a care environment.

FINANCIAL IMPLICATIONS

19. Failure to implement a re-engineered process within DoLS service could lead to further losses as a result of poorly designed financial processes and a lack of robust monitoring and management of the payment to individuals for assessments undertaken.

HUMAN RESOURCE IMPLICATIONS

20. Failure to improve the DoLS function and its management of the assessment process could breach / continue to breach the Working Time Directive and have subsequent implications on the health and welfare of employees undertaking assessments in their own time.

    Future payments of assessments via the HR Portal will be monitored by HR and any deviation from the agreed process of payment will be robustly challenged.

TECHNOLOGY IMPLICATIONS

21. A root cause analysis of the issues within DoLS shows that whilst there were many contributing factors causing the problems, the lack of appropriate systems and the heavy reliance on manual processes and spreadsheets was key to the problems within the process. Poor systems and poor data quality with little useable performance information was a driving factor behind the situation uncovered. This is being addressed and a new pathway has been constructed within the Care First system to move the assessments to a stable and monitorable system going forwards with substantial amounts of effort being put into cleaning and migrating the data to the new system.

EQUALITY IMPLICATIONS

22. The DoLS function serves vulnerable adults and their care providers and these adults normally have protected characteristics, specifically they may be older people, people with physical and mental health issues and those with learning disabilities. Due to the nature of the clients the DoLS function is there to safeguard, these groups are likely to be disproportionately affected by the issues identified in this report.

CONSULTATION

23. There has been consultation with managers at the outset, throughout and at the conclusion of this review in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

BACKGROUND PAPERS

24. Appendix 1 (Deprivation of Liberty Safeguards – Interim Audit Report)
25. Mental Health Act 2005

REPORT AUTHOR & CONTRIBUTORS

Nicola Frost-Wilson, Internal Audit Manager
Tel 01302 862931 E-mail – Nicola.frost-wilson@doncaster.gov.uk

Karen Johnson, Assistant Director of Adult Social Care
Tel 01302 862507 E-Mail – Karen.Johnson@doncaster.gov.uk

Damian Allen, Director of Adults Health and Wellbeing
Tel 01302 737800 E-Mail Damian.Allen@doncaster.gov.uk

APPENDICES

Appendix 1 – Deprivation of Liberty Safeguards (DoLS) Interim Audit Report

Steve Mawson
Chief Financial Officer
& Assistant Director of Finance

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Doncaster
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APPENDIX 1

Internal Audit Report

Deprivation of Liberty Safeguards (DoLS) Review

Interim Audit Report

1. Introduction

1.1. This report represents the interim findings of an audit on the Deprivation of Liberty Safeguards (DoLS) function within Safeguarding Adults part of the Adults Health and Wellbeing Directorate within Doncaster Council.

1.2. This piece of work was undertaken after it was identified during an Internal Audit proactive data analytics exercise to look for fraud and error, that there were payments to staff being made through the P2P (creditors / accounts payable) system. This was highlighted as an unusual and exceptional arrangement warranting further review. Further work found that the P2P creditor payments were being made to staff for work in completing DoLS best interest assessments in their own time.

1.3. The Accounts Payable Team in Finance and Corporate Services had also noted this practice and raised it with Internal Audit. In particular, questions were raised by staff in Accounts Payable about the number and value of invoices being paid to one specific individual.

1.4. An audit review was instigated after taking into account the data analytics work and the matters raised by the Accounts Payable Team. It was later found that some payments to staff for carrying out DoLS best interest assessments were also being made through the Payroll System using a Special Payments Wizard, which is normally used to process one off and honoraria payments to staff. Again, this looked unusual.

1.5. This interim audit report represents a summary of the work undertaken and issues arising so far. It is being presented to the Audit Committee following a request by the Audit Committee, and because of the inclusion of the matter as a significant issue in the Council's Annual Governance Statement 2016/17.

2. Legislation and Background to the DoLS

2.1. The Mental Capacity Act (MCA), which applies in England and Wales only, allows restraint and restrictions to be used but only if they are in a person's best interests and then only where the individual temporarily or permanently lacks the mental capacity to make a decision on their own. The Deprivation of Liberty Safeguards are an amendment to the Mental Capacity Act 2005, essentially requiring an assessment of a person's capacity to be completed when considering their care needs and any potential deprivation of their liberty.

2.2. Having mental capacity means being able to understand and retain information and to make a decision based on that information. Where an individual loses mental capacity and becomes unable to consent to care or treatment, it may be necessary, in their best interests, for other people to make decisions for them including those about their care. The most common example of this is the need to be placed in a care home. A lack of mental capacity must be established before a decision can be made on someone's behalf.

2.3. A judgement by the UK Supreme Court on 19 March 2014 relating to a case at Cheshire West Council led, overnight, to the need for a huge increase in DoLS assessments to be carried out. The case provided clarification on what constitutes a deprivation of liberty. The court found that an individual is deprived of their liberty if they:

- Lack the capacity to consent to their care/ treatment arrangements
- Are under continuous supervision and control
- Are not free to leave.

2.4. The judgement confirmed that all three elements must be present to meet the definition of a deprivation of liberty. Anyone in Council care who is subject to this level of supervision is likely to be being deprived of their liberty and a DoLS assessment is necessary. Therefore, anyone meeting these criteria now requires an assessment whereas, previously, without this clarification far fewer assessments were being carried out.

2.5. A report from the Health and Social Care Information Centre (HSCIC) confirmed that, following the Supreme Court judgment, DoLS applications rose approximately ten-fold.

2.6. The DoLS procedure is stringent and is designed to protect the rights and freedoms of individuals if they need to be detained in a hospital or care home in England or Wales where it is not their choice to enter the home or hospital. The care home or hospital where they will be staying must apply for, and be granted, a DoLS standard authorisation from a local authority in order to deprive an individual of their freedom, of their right to choose whether to go into a home or not or whether to stay there when placed. Without this, any detention of an individual in such accommodation where they have not consented to it, even if the detention is for their own good / safety, could be unlawful.

2.7. DoLS assessments consist of 6 elements:

2.7.1. Age Assessment – This is to confirm the person is over 18 as the safeguards only apply to those over 18

2.7.2. No Refusals Assessment – This is to establish whether an authorisation to deprive the individual of their liberty would conflict with any other instructions, such as an advance decision by the person to refuse particular care of treatment, or where it could conflict with the opinion of someone with Lasting Power of Attorney (or a court appointed Deputy).

2.7.3. Mental Capacity Assessment – This is undertaken to check whether the individual has the mental capacity to decide for themselves whether they should have particular care or treatment. Authorisations cannot be given where the individual has the capacity to make such decisions themselves.

2.7.4. Mental Health Assessment – Authorisation can only be given where there is a mental disorder within the meaning of the Mental Health Act 1983.

2.7.5. Eligibility Assessment – Under the Mental Health Act 1983, individuals are not eligible under certain circumstances. This assessment ensures that this is not relevant to this case.

2.7.6. Best Interest Assessment – this assessment assesses whether a deprivation of liberty is occurring or is likely to occur and assesses whether this is in the individual's best interest, is necessary to keep them from harm and is proportionate to the likelihood of serious harm occurring. This assessment needs to take account of the views of others where specified.

2.8. Assessments must be carried out by a minimum of 2 assessors because the mental health assessment (MHA) and best interest assessment (BIA) must be carried out by different people and should be completed within 21 calendar days of the application being received by the supervisory body (in this case the Council).

2.9. DoLS assessments are time specific and time limited (usually up to 12 months). Individuals need reassessments during any major change in their circumstances and on a regular basis to ensure that their placement (usually in residential care) remains lawful and remains in the individual's best interest.

2.10. The increase in applications reflects significant extra activity for health and care providers (who must submit requests for DoLS authorisations and Court of Protection applications) and for local authority teams who have responsibility for assessing requests for authorisations and where appropriate, authorising any deprivation of liberty.

2.11. Within Doncaster Council, a decision was taken in 2014 to create specific best interest assessor posts within Adults, Health and Wellbeing Directorate and to allow employees to undertake best interest assessments in their own time as well as pay external and independent best interest assessors to undertake the role. The agreed fee payable was £250 plus travel expenses per assessment. This payment value is (we are informed) in line with that used by other councils and is towards the lower end of the spectrum of values on offer.

3. Executive Summary

3.1. When concluding a summary of the work undertaken so far, **it should be noted that there were no concerns found during the review regarding safeguarding issues as all the clients reviewed / identified were being cared for**. The weaknesses found were purely surrounding the management and control of the DoLS function within the Council.

3.2. The process by which the DoLS assessments were being undertaken was disorderly as a consequence of being heavily manual and poorly managed. Systems in place were heavily reliant on manual intervention and manual monitoring with no real performance monitoring being undertaken within the process. There were also delays at most points during the process, resulting in backlogs of assessments being required and no clear monitoring of the number of assessments actually outstanding, or how long they had been outstanding.

3.3. Processes within the DoLS team for monitoring best interest assessments commissioned were poor, with overreliance on spreadsheets that were not fit for purpose and caused additional manual work (because only 1 person could update the spreadsheet at once). There was no management monitoring of the level of cases being assigned to individual assessors or of the overall level of outstanding work.

3.4. Data quality within the process was poor, with missing and inaccurate information in the spreadsheets in use and with data not routinely updated on the spreadsheets (this was mainly caused by the fact that only 1 person could access the spreadsheet at any one time resulting in multiple copies of the spreadsheet and no true and accurate overall record). This caused difficulties in completing the audit work; i.e. it was complicated to trace back which payments were made for which work and when. It also caused issues in determining which assessments were complete and which were still outstanding (and at which point in the process they were).

3.5. The process set up to pay for assessments to be done failed to comply with the Council's Financial Procedure Rules and in places was directly contra to it (i.e. assessments being paid for in advance and prior to any form quality checking, the latter because of a backlog that persists on the sign off of such forms). There was no routine checking of payments made or in reconciling payments made to the assessments done. These lack of basic controls meant that no one picked up on the fact that some assessments were being paid but not being completed.

3.6. Arrangements to use employees to undertake best interest assessments were not properly considered or properly set up. The Officer Decision Record (ODR) in place to cover the arrangement made no mention of the use of employees to undertake additional best interest assessments or the consequences of doing so. Specifically;

3.6.1. Employees were allowed to set themselves up as sole traders and be paid through the P2P (creditors) system rather than through the normal payroll processes.

3.6.2. A taxation assessment undertaken by the DoLS Team wrongly concluded that the (internal) assessors had self-employed status, even though they were Council employees. This was because the tax assessment was not properly understood. However, we were able to confirm there were no actual tax errors because, even though the employees had been classified incorrectly, the correct amount of taxes had been paid to HMRC. It should be pointed out that the responsibility for undertaking this assessment lay with the DoLS Team and not the Accounts Payable Team.

3.6.3. There were no arrangements in place to monitor the working time directive (and associated breaches) for individuals undertaking best interest assessments, with some assessors doing assessments in their own time on top of a full time working week.

3.6.4. Work was routinely given out to employees (and external assessors alike) with no consideration of the number of assessments they already had outstanding or any consideration of whether the workload allocated was sustainable. Work was distributed based on the amount of work requested by individuals rather than considering what was "do-able" within the deadline period.

3.6.5. Overpayments arose because payments were made in advance and the respective for assessments were not then subsequently completed.

3.7. There were continual backlogs of assessments at each point in the process (although this position is the same within many other councils) however, there was little or no management information with which to properly manage the process. Clear figures for the size of back logs have been difficult to obtain throughout the review with significant amounts of manual effort required to provide updates when required. As a result, whilst backlogs were known about, their size and duration etc were never routinely known or managed

3.8. The DoLS Team have had several changes in management since 2014. Once the DoLS Acting Manager left the Council in June 2016 there was no-one directly supervising or overseeing the DoLS process. The process for allocating cases (previously done at Team Manager level) were then given to a junior officer (Scale 7) to complete / manage. This individual remains the only person within the team with a detailed understanding of the process or current changes within it and going forward, this is a significant business continuity risk. A manager is now monitoring this Team.

3.9. Senior management responsible for the service when these issues first arose have since left the organisation

3.10. Detailed Audit Findings are included in **Appendix 1**.

4. The Current Position

4.1. Actions to address the issues with the DoLS process remain in progress at the date of this report. Further work is still required to fully address the situation. As at the 6th of July, 2017 the position for the team regarding outstanding assessments was as follows:

Total number of required assessments not currently allocated to assessors	629
Total number of allocated assessments still outstanding (not yet returned by the assessors)	171
Total number of assessments awaiting sign off	837
Total number of assessments outstanding	1637

4.2. The assessment backlog above (629 cases) has increased over the last few months as a result of an embargo being placed on the allocation of cases whilst a more robust and manageable process was introduced and as a direct result of work to address data quality issues within the process.

4.3. The number of assessments awaiting sign off included above (837 cases) has also increased significantly over the last few months. This is a result of a lack of trained individuals to check and sign off the completed assessments. This issue is in the process of being resolved and a full time individual employed by the council is now assigned to these with the support of 10 other senior managers to take on additional cases. This should, going forwards, address this sign off backlog. The assessments awaiting sign-off include 511 cases where the assessments are now obsolete. Essentially these were cases where the individual is deceased, has been discharged from hospital or respite care, or has moved and requires a further assessment.

4.4. Plans are in place to use an external company to carry out a proportion of the outstanding initial assessments and their signoff checking, to reduce the current backlog until the DoLS service is back on track. These plans are in progress and an initial batch of 214 cases will be passed to this company when the contract is put in place.

5. Work undertaken to address the issues identified

5.1. The situation within the DoLS Team and process is improving and whilst the situation is not yet fully resolved, significant progress is being made. Work undertaken within the process so far to address the issues identified includes:

- The removal of the manual spreadsheet based monitoring systems;
- The creation of a new process within the Care First system to accommodate the requirements and ensure that information is being recorded within the Care First system and can be reported on;
- The migration of data to the Care First system;
- The development of reports with which to monitor the process (these are available and have been in use since May 2017 but are under validation processes to ensure that they are reporting accurately before they are put into full use);
- The development of new processes via the HR Portal to monitor the working arrangements of employees and agency workers (in order to comply with the working time directive). This process also ensures that employees are paid for using the correct procedures. External assessors will continue to be paid for through the Procure to Pay system;
- The cleansing of assessment data to address data quality issues and eliminate those assessments still within the process that are no longer required (paragraph 4.3 refers);
- The reconciliation of outstanding best interest assessments as recorded by the DoLS team to the outstanding work lists held by individual assessors to ensure that all outstanding assessments are captured in the data being input / uploaded to the Care First system and to chase up outstanding / overdue assessments;
- Work to contract with and outsource a proportion of the current work back log to an external supplier (this is currently ongoing and when contract issues are resolved this will commence); and
- An additional member of staff has been put in place to address the signoff backlog with additional training completed for 10 other members of staff (Heads of Service) to undertake some signoffs within their own roles.

6. Further work required

6.1. Despite the progress made, further work is still required to ensure that the process now functions correctly and that the DoLS backlog situation continues to improve. The work still required includes:

- Final testing and changes to the new DoLS process on Care First (including the new monitoring reports). This is expected to take 6-8 weeks and will involve validating the reports and information being produced until it can be relied upon without manual intervention;
- Reducing the backlog of assessments and signoffs outstanding to manageable levels. This is being achieved through a number of actions:
    - Some of the backlog is being outsourced to an external company as a one off exercise to clear some of the outstanding assessments.
    - Social workers are being trained to undertake best interest assessments and job descriptions have been amended to include these assessments as part of general social worker function rather than being treated as “additional work”. This is currently under consultation and it is hoped that this will be implemented by August 2017. This should in the medium to long term reduce reliance on external assessors but will never reduce the need for external assessments completely (due to the fact that the individual undertaking the assessment MUST be totally independent and have had no prior dealings with the person being assessed); and
- A review of the way that Care First and the Procure to Pay systems are used together to ensure that the new system provides adequate and robust financial controls over the new process to avoid any repeat of the data quality errors or overpayments identified under the old system.

APPENDIX 1

Detailed Audit Findings

1. The Supreme Court decision significantly increased the number of standard authorisation requests coming in from hospitals and care homes, causing a resourcing issue in 2014. There are now approximately 120-130 assessment requests received by the Council on a monthly basis.

2. A decision was taken in 2014 to temporarily increase the DoLS Team's capacity by creating additional assessment posts within the DoLS Team and also by allowing staff to undertake assessments in their own time. A rate of £250 plus expenses was established for each assessment undertaken. An ODR was completed at the time to cover additional assessment posts. This was done in March 2015. However, there was no mention in the ODR of staff undertaking assessments in their own time on top of their day jobs or the consequences of such an undertaking. This should have been part of an officer decision record. If this had been properly considered at the time, it is likely that arrangements, particularly in respect of remuneration methods, tax implications and the implications on the working time directive, would have been considered and addressed before the process started.

3. The process in place at the time of the audit review was as follows:

    - Standard authorisation requests were received via email to a shared team email box and then recorded on the DoLS spreadsheet;
    - Assessments were (and still are) allocated in order of priority. The priority is determined by the DoLS team and the assessment is allocated to registered assessors based on Best Interest Assessors (BIA) availability. This availability is provided by the assessors on a weekly basis;
    - Requisitions on the P2P system (R1s) were raised for the assessments allocated. This creates an order on the P2P system. This was usually a block order, for example a single order for say 10 different assessments rather than 1 order with 10 individual lines that could be receipted for and paid individually;
    - Orders are then generated from the requisitions raised;

- Emails are sent out to the Best Interest assessor – allocating the cases and include the order number raised and any relevant paperwork the assessor requires to complete the assessment;
- All DoLS assessments have a target date for completion. This is dependent on the priority of the individual case. Assessments are typically given a deadline of 2 weeks although it varies depending on the priority of the assessment;
- Completed assessments are received into the Safeguarding Adults DoLS email account (or individual staff emails in some cases);
- Admin staff acknowledge receipt of the assessment to the assessor via email;
- Admin staff "goods receive" the order for the assessment received on the P2P system, thereby clearing the way for any invoice received from the assessor to be paid. Invoices cannot be paid until someone has marked on the P2P system that the service / goods have been delivered;
- The BIA then sends invoice into accounts payable for payment;
- The invoice is matched to the goods received part of the relevant order and processed for payment by the Accounts Payable Team;
- The assessment is sent to a signatory for quality checking and signing off on behalf of the Council;
- Assessments that do not meet the quality checking process are sent back to the assessor for amendment or further work. This typically happens AFTER the BIA has been paid for the assessment;
- The care provider is then notified of assessment outcome.

4. We found deviation from the payments part of the process for some assessments, where the staff marked the orders as 'received' in advance, suggesting the assessments had been completed, when in fact in these cases they hadn't. This is contrary to Financial Procedure Rules and led to overpayments being made, when subsequently some assessments that had been paid for were found to have not been completed.

5. Assessments were stored on the Council's S Drive and not in the electronic document management system or on Care First. (This has since changed with the setup of a new process within the Care First system).

6. The above process is the standard process in use for external assessors (i.e those assessors NOT employed by the Council itself). Where the assessor is an employee, there were 2 ways in which assessors were paid. 1) – via the HR portal as an honorarium

(a process agreed with Human Resources) or 2) via the P2P system as in the above walkthrough. Payments made by both methods were poorly managed and monitored.

7. Payments made by the HR portal were made via a payment wizard. This was completed by the manager of the employee undertaking the assessment (not usually anyone from the DoLS team) on the basis of an email or other communication from DoLS to the manager. Once completed, the wizard required authorisation from HR and Senior Management (usually Pat Higgs) to sign off the wizard for payment. Wizards were then actioned by Rotherham Payroll Service and processed for payment. This form of payment has no associated hours or associated monitoring. Using this method it was unclear to managers actioning the wizards what hours were being worked or whether there were any issues for them to manage in terms of the working time directive with the action being effectively hidden (with the exception of the total amount being paid). This method was originally set up as a temporary solution but remained in use until March 2017.

8. A new payment system was set up following discussions between Human Resources, Rotherham Payroll Service and Internal Audit to eradicate the issues stated above from using the payment wizard. All best interest assessors who are employees are now set up on a relief assessor post which is set up on the HR portal under the DoLS Manager, so any additional hours payments can be signed off by someone who will have some awareness of the work undertaken. This payment method will provide more information regarding the number of hours worked and what it was for and enables reports to be run for management purposes.

9. Payments made for internal staff on the P2P system were paid in the same way as those for the external assessors despite their employee status. A "self-employed" status had been assessed for the individuals based on a form in use within Accounts Payable. A re-assessment for these individuals was done using the HMRC online tool and those incorrectly assessed corrected and put through the HR Portal method instead.

10. There were several spreadsheets in use in addition to the DoLS spreadsheet and there were numerous versions of the DoLS main spreadsheet. The spreadsheet was not fit for purpose, despite being redesigned by the Digital Council Team. The spreadsheet allowed only 1 person to use it at any one point. As a result, copies of the spreadsheet sprang up so that individuals could continue their work whilst others used the main spreadsheet. Whilst there is no evidence to suggest that these copies created a data quality issue within the main spreadsheet, there is equally no evidence to suggest that it did not. There are data errors within the spreadsheet for example assessments not marked as complete

when they were, assessments cancelled but not marked as no longer being required and assessments allocated on more than 1 date (multiple assessments) and assessments assigned to BIAs who were later changed where the spreadsheet was never updated to reflect it.

11. The nature of spreadsheets is such that there is no audit trail and it is impossible to tell whether this was the result of an omission or spreadsheet damage or even data loss. Given the fact that multiple people need to use it on a daily / hourly basis, the setup of such a system was inappropriate from the outset.

12. Quality checking and signoff for assessments completed were done after payments were made (by any of the methods in use). There is also no clear record of any assessments sent back for re-work due to quality issues or records to show whether any of these were actually returned.

13. The DoLS Team have had a backlog of DoLS requests since 2014 following the Cheshire West Supreme Court judgement, this however, is not an unusual position for councils across the country. However, when first requested, it was clear that the DoLS team could not easily identify how many assessments were outstanding at any one point, reportedly because the spreadsheet was not kept up to date. As a result manual work was required each time a position update was requested. No routine management information was produced by the system for action by mangers.

14. The system in use within DoLS was heavily manual and in places disorderly. Data quality within the process was poor with the situation exacerbated by the use of inappropriate recording systems such as spreadsheet. Checking done on the spreadsheet to allocation emails has shown many discrepancies in the data with assessments marked as outstanding that have been received, incorrect and missing dates for events on the spreadsheet and in some cases (15+ cases) where the spreadsheet shows that the case was allocated to a different assessor than who completed it. Other data quality issues noted were errors in clients' names, care providers were incorrect, dates allocated were missing or in some cases inaccurate, dates the assessments were received were missing or inaccurate and the outcome of assessment was not always recorded.

15. The spreadsheets in use contained no way of checking and monitoring how many assessments had been sent back to assessors because of quality related issues and how many of these were still to be received back. Despite further work undertaken on the data, the number of assessments returned for rework remains a mystery.

16. There was no routine monitoring of assessments overdue or outstanding and no regular attempts made to chase these up. The timing of the completion of some assessments assigned significantly exceeded the 21 day target time, with delays of up to 159 days being recorded for some assessments.

17. Internal Audit has undertaken verification work to determine how many assessments are actually outstanding. This has shown other issues in addition to those above. Assessors were contacted by email to ask them how many assessments (and which) they believed that they had that were still outstanding. This was then compared to the listings held by DoLS and the numerous discrepancies investigated. In total it was determined that (at that time) there were over 200 cases outstanding, with over 40 of these having been paid for in advance. Some of the outstanding cases were so delayed the situation had changed before the assessments were undertaken making them no longer required. (Examples included assessments paid for where the person had moved, died or been released in the intervening period).

18. The overpayments found were a result of assessments that were paid for but were never received, assessments paid for but the work was not undertaken before the situation changed and was therefore essentially cancelled, work that was paid for but was done by alternative assessors, and rejected work that was received but was not satisfactory.

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Doncaster
Metropolitan Borough Council

27 July, 2017

To the Chair and Members of the Audit Committee

2016-17 Annual Governance Statement

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Ros Jones	N/a	No

EXECUTIVE SUMMARY

1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal controls in place, which facilitate the effective exercise of the Council's functions.

2. An annual review of the council's governance arrangements and the subsequent preparation and publication of an annual governance statement (AGS) are statutory requirements by virtue of the accounts and audit regulations (England) 2015. The council's governance arrangements in place during 2016-17 have been reviewed and an annual governance statement has been produced and is attached as **Appendix A**. There has been **2** significant weakness reported in 2016-17, detailed on page 5 of the statement.

3. The Accounts and Audit Regulations require proper practice to be followed in the production and approval of the Statement. 'Proper practice' requires the Council Leader (in Doncaster's case, the Mayor) and the Chief Executive to sign the statement to confirm their satisfaction with the governance framework and the procedures for reviewing it, and their acceptance of the significant issues highlighted in the statement, along with actions for tackling the issues raised. This should be done prior to the publication of the Statement of Accounts in July 2017.

EXEMPT REPORT

4. Not Applicable

RECOMMENDATIONS

5. The Audit Committee are asked to:

   - Approve the attached Annual Governance Statement;
   - Note that The Mayor and the Chief Executive will be asked to sign the final Statement as soon as possible after the Audit Committee on 27th July and prior to its publication along with the Statement of Accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. By ensuring that there is good governance and a sound system of internal controls in place the Council will be able to provide the citizens of Doncaster with services that are provided in accordance with the law and proper standards. It will also ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively

BACKGROUND

7. In 2015, CIPFA/SOLACE consulted on revised guidance, and this was published in 2016-17. The new framework details the principles and sub principles defined by CIPFA/SOLACE, which underpin the governance of Doncaster MBC and provide a structure to assist the authority's approach to governance. These are outlined in the Annual Governance Statement.

8. To continue our commitment to good governance the Strategy and Performance Unit have prepared the Annual Governance Statement set out in accordance with the new CIPFA/SOLACE Delivering Good Governance in local Government guidance.

9. It should be noted that Governance arrangements at Doncaster Council have improved each year and are now more robust than ever before. As part of the recent review of our governance arrangements, we are satisfied that we already have a well-established and robust constitution and other good governance documents and arrangements in place.

10. The process for creating the Annual Governance Statement is more robust and streamlined. It is centrally managed and has much better engagement from directorate staff, building greater confidence into the procedure.

11. The 2016-17 Annual Governance Statement:

    - Highlights key areas of improvement from 2015-16 that have been completed and have been effectively managed to the extent that they were no longer significant in 2016-17. (Appendix B,Page 6)

    - Identifies new significant issues arising from the 2016-17 review of effectiveness of the corporate governance arrangements (Appendix B, Page 5)

    - Provides an update on the key areas identified during previous years that remain an issue in 2016-17 (Appendix B, Page 8).

OPTIONS CONSIDERED

12. Not Applicable

REASONS FOR RECOMMENDED OPTION

13. Not Applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

14.

	Outcomes	Implications
	Working with our partners we will provide strong leadership and governance.	The Annual Governance Statement enables the Council to ensure that there is good governance and a sound system of internal controls in place

RISKS AND ASSUMPTIONS

15. The production of an Annual Governance Statement is a statutory requirement. The key risk is that failure to produce a statement to meet this requirement would result in an adverse audit report by the Council's external auditor and damage the Council's reputation. The original risk profile is 16 but by producing the Annual Governance Statement and addressing key corporate issues the risk profile is reduced to 8.

LEGAL IMPLICATIONS

16. The production and publication of an Annual Governance Statement is a statutory requirement.

FINANCIAL IMPLICATIONS

17. There are no direct financial implications resulting from this report.

HUMAN RESOURCES IMPLICATIONS

18. There are no direct human resources implications resulting from this report.

TECHNOLOGY IMPLICATIONS

19. There are no direct technology implications resulting from this report.

EQUALITY IMPLICATIONS

20. The council has a legal obligation under the Public Sector Equality Duty to consider how different people will be affected by their activity and service. Equalities and Due Regard issues will be considered as part of the individual policies and procedures that are contained within the Annual Governance Statement and as a result a Due Regard statement has not been completed for this process.

CONSULTATION

21. There is consultation with Directors and seniors managers throughout this process. Nominated directorates leads work with the corporate team and their directorate senior managers to complete the assessment which supports the production of the final Annual Governance Statement.

BACKGROUND PAPERS

22. CIPFA/ SOLACE delivering good governance in Local Government Framework
    Accounts and Audit Regulations (England) 2015.
    2015-16 Annual Governance Statement
    Annual Report of the Head of Internal Audit 2016-17

REPORT AUTHOR & CONTRIBUTORS

Sennette Wroot, Senior Strategy & Performance Manager
01302 862533 sennette.wroot@doncaster.gov.uk

Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

ANNUAL GOVERNANCE STATEMENT 2016-17

Scope of responsibility

Doncaster Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Doncaster Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*. A copy of the Doncaster Council's Corporate Code of Governance is on our website at www.doncaster.gov.uk or can be obtained from The Strategy & Performance Unit, 01302 862533.

This statement explains how we have complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which we are directed and controlled and our activities through which we account to, engage with and lead our communities. It enables us to monitor the achievements of our strategic objectives and to consider whether those objectives have led us to delivery appropriate services that are value for money.

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

The report covers 1st April 2016 to 31st March 2017. However, any significant events or developments relating to the governance system that occur between the year-end and the date on which the Statement of Accounts is signed will be included in this report.

The Principles

Acting in the public interest requires a commitment to and effective arrangements for :

PRINCIPLES	SUB PRINCIPLES
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	• Behaving with integrity. • Demonstrating strong commitment to ethical values. • Respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.	• Openness • Engaging comprehensively with institutional stakeholders. • Engaging with individual citizens and service users effectively.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for :

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	• Defining outcomes. • Sustainable economic, social and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	• Determining interventions. • Planning interventions. • Optimising achievement of intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	• Developing the entity's capacity. • Developing the capability of the entity's leadership and other individuals.
F. Managing risks and performance through robust internal control and strong public financial management.	• Managing risk. • Managing performance. • Robust internal control. • Managing data. • Strong public financial management.
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	• Implementing good practice in transparency. • Implementing good practices in reporting. • Assurance and effective

Our Governance Framework

Audit Committee

The Council's Audit Committee oversees the production of the Council's statutory accounts, the management of risks within the Council, the operation and effectiveness of the Council's internal control arrangements, and has responsibility for ensuring appropriate standards of ethical governance are in place and maintained.

The Committee has a programme of work in place to ensure it fulfils its responsibilities. The Committee has overseen and supported positive progress in a number of areas during the year, including:

- Improved risk management arrangements;
- A positive Internal Audit assessment of the Council's control environment;
- A continuing positive external audit report on the accounts;
- A continuing positive external audit opinion on the Council's Value For Money arrangements
- The development of a partnerships' governance framework;
- Better commissioning of services and stronger control over contracts;

The Audit Committee produces an Annual Report which is available at www.doncaster.gov.uk

Governance Group

The Council has an officer Governance Group that was established in 2011. It is chaired by the Monitoring Officer and includes other key officers with responsibility for promoting good governance across the organisation. The Group leads on the development of governance arrangements at the Council and ensures the Council complies with best practice guidance issued by CIPFA / SOLACE and any other sector leading advice. The Governance Group supports and works closely with the Council's Audit Committee.

Role of Internal and External Audit

The council has both internal and external auditors.
The role of the internal audit is to:

- give independent assurance that internal controls operated by the Council are sound and are effective
- alert managers to areas of potential weakness and to make recommendations for improvements
- give unbiased professional advice on policies, procedures, practices and systems

All councils are subject to ongoing scrutiny by External Audit and their role is to:

- Review the accuracy and completeness of the Council's financial accounts and specified grant claims submitted for payment to various Government Departments
- Review the Council's arrangements for the achievement of economy, efficiency and effectiveness in the use of its resources, in accordance with Best Value principles.

Internal Audit and KPMG aim to coordinate their work to get the best value from the resources in use and to this aim work closely together to achieve our objectives..

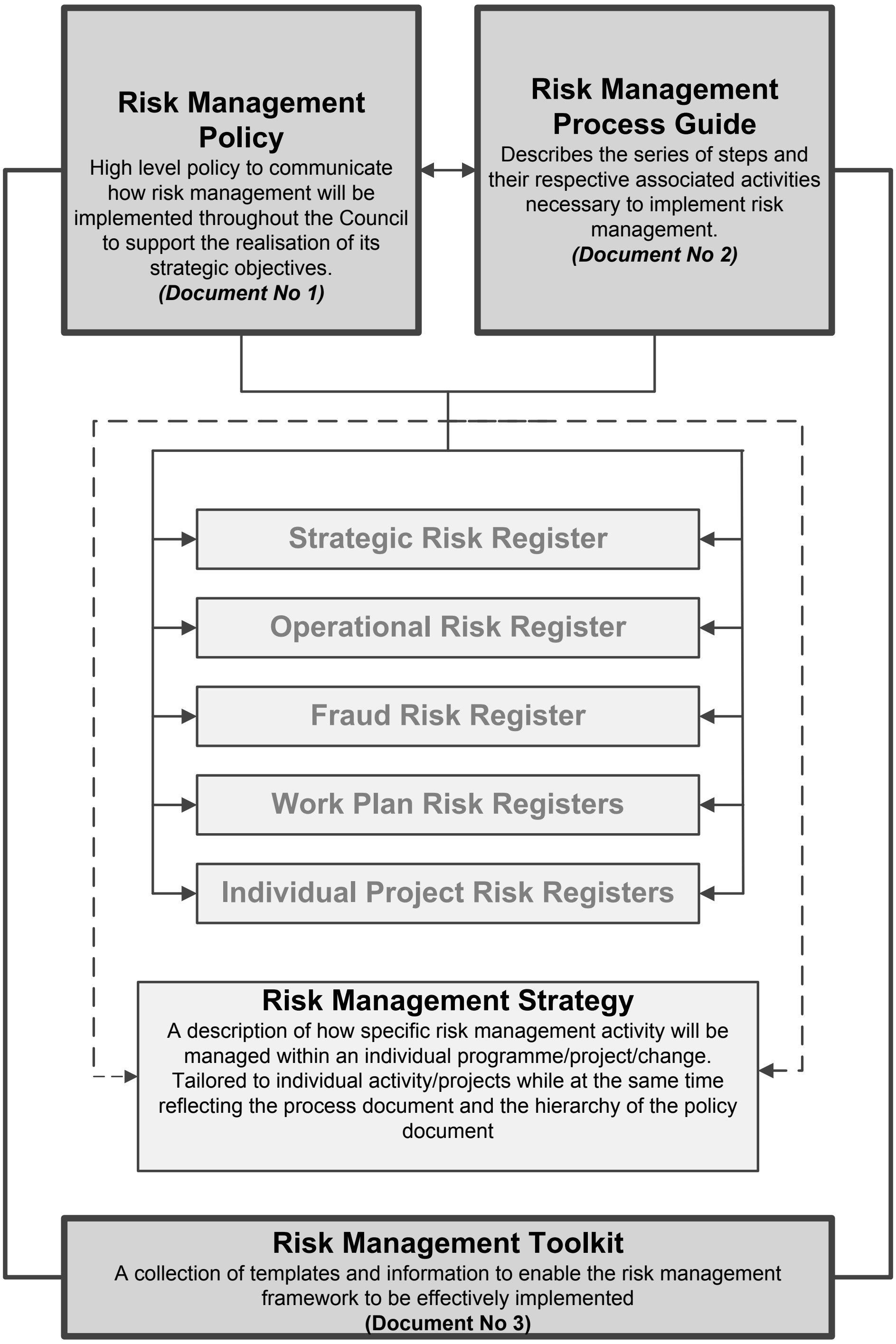
KPMG have been the council's external auditors since 2012-13. In their annual report, presented to Audit Committee on 17th August 2016 they gave an "unqualified audit opinion” on the Council’s financial statements for 2015-16 and an unqualified Value For Money (VFM) conclusion for 2015-16. Internal Audit were able to provide a positive opinion in their annual report for 2016/17, which alongside the good VFM conclusion, indicates there is sound governance, risk management and internal control in place safeguarding Council resources.

Overall the KPMG annual report is an extremely positive one and with the “unqualified audit opinion”, recognises the further improvements that have been made by the Council in preparing the Statement of Accounts for audit. The quality of the working papers and the supporting information has improved year-on-year with the working papers, once again, meeting the standards specified in the Accounts Audit Protocol

Our Approach to Risk Management

Doncaster Council recognises that risk management is an integral part of good governance and management practice.

Managing our risks effectively contributes to the delivery of the strategic and operational objectives of the authority. Doncaster Council manages risks via a Risk Management Framework that has been designed to provide structure and guidance to support our organisation, and the individuals within it, to take positive risks in an informed way.



Review of effectiveness

Doncaster Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Annual Governance review was led by the Strategy and Performance Unit. Part of the process included representatives from each directorate collating, reviewing and evidencing compliance and identifying significant governance issues or weaknesses. Issues or weaknesses identified by Internal and External Audit were also considered for inclusion in this statement.

The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive Board and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues identified in 2016/17

Whilst we are satisfied with the effectiveness of corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following new issues have been identified for improvement as part of the 2016-17 Annual Governance Statement process:

<table>
<tr><td colspan="2">Issue : Adult, Health and Wellbeing - Contract and Commissioning Arrangements

There has been a large number and value of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. Some of this is linked to the strategic and transformation plans for the future provision and commissioning of services. However, some other elements have been in breach for lengthy periods of time and now need to be progressed more quickly.</td></tr>
<tr><td>Actions:
A four year commissioning and procurement action plan has been developed by the Adult Commissioning Team, with involvement of the Strategic Procurement Team, which sets out a structured programme of contract reviews. The outcome of these individual contract reviews will inform decision making on which contracts will be re-let, realigned or decommissioned. The action plan set out (for each contract) the timescales for this work to be undertaken and concluded. Training on the Council's Contract Procedure Rules and Democratic Processes has been provided to managers within the service and capacity for commissioning is being reviewed. This will lead to better services being offered to users in the future.</td><td>Completion Date:

4 year plan in place which is subject to regular review</td></tr>
</table>

<table>
<tr><td colspan="2">Issue: DOLS (Deprivation of Liberty Safeguards) – Best Interest Assessments

Internal Audit identified anomalies in relation to payments made for Best Interest assessments, which had arisen due to poor financial and administrative processes.</td></tr>
<tr><td>Actions:

The DOLS (Deprivation of Liberty Safeguards) Team is working with Internal Audit Services and the Digital Council Team to implement a new system for recording, monitoring and paying for assessments undertaken. This will include the development of full new processes and performance management information to ensure that the</td><td>Completion Date:
31 December 2017</td></tr>
</table>

situation is monitored and reported on going forwards. A backlog of Best Interest Assessments that has developed will be cleared by an external party and monitored internally. A full review of any Best Interest Assessments that need to be re-done as a result of the delays in the process is already underway. Assessments will be re-done where issues are identified to ensure a full assessment is place as and where required.	

Key Areas of Improvement from previous Statements that have been completed

There are a numbers of areas requiring improvement that have been identified in previous statements that have been effectively managed to the extent that they are no longer significant in 2016/17. These are:

- **Asset Register -** The Council has improved its arrangements for maintaining its asset register to better facilitate accounting for assets. The fixed asset register currently produces the statement of accounts information, and now meets external and internal audit requirements. Work will progress on the fixed asset module as part of Enterprise Resource Planning (ERP) phase 2; which will be managed as part of Financial Systems governance.

- **External Funding** – The Council was responding to a challenge by the EU regarding compliance with procedure rules relating to European funding of the White Rose Way development scheme. Following an EU audit a claim was made by the EU to potentially claw back funding. The challenge into this issue has now concluded and the decision was that there would be no need to claw back any of the funding. No direct action is needed, however reflection and learning to inform the approach to future schemes is being shared in the major projects team to avoid any future risks arising relating to this

The progress that has been made in dealing with previously identified governance issues, that are still an issue in 2016-17, can be found in Appendix A.

Statement of Commitment

We have been advised of the implications of the result of the 2016-17 review of the effectiveness of the governance and internal control frameworks by the Audit Committee and of the plans to address identified weaknesses and ensure continuous improvement of the system in place. We propose over the coming year to take steps to address the above matters to enhance further the Council's governance and internal control arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and that we will monitor their implementation and operation over the next year and as part of our next annual review of effectiveness.

Signed on behalf of Doncaster Council - July 2017:

____________________________ ____________________________

Ros Jones	**Jo Miller**
Mayor of Doncaster	**Chief Executive**

APPENDIX A - An update on Key Improvement Areas identified during 2015-16 that remain an issue in 2016-17

Direct Payments:

In 2015/16 there was a high level of overpayments that had been made in paying personal budgets for adult social care. Issues identified included:-

- High numbers and values of overpayments not being monitored or managed
- Weaknesses in the systems to pay, monitor and recover overpayments
- Lack of joined up working between the various parties involved in this area.

Responsibility for the payments and checking of these monies was transferred to Finance and Corporate Services and since then administration processes have been streamlined and payments made in more efficient ways. All service users accounts have now had an annual audit. Overpayments amounting to £965k have been recovered in the last year out of £1.5m of overpayments identified and billed. Further work is ongoing to recover residual amounts outstanding and ensure all accounts are maintained accurately and effectively. Systems and processes have been improved to make the payments quicker and easier to access and be more efficiently administered.

COMPLETION DATE: 31 MARCH 2018

Safeguarding Adults Personal Assets Team (SAPAT) –

There was a number of governance risks associated with SAPAT highlighted in the 2015/16 statement. These included:

- a lack of robust policies and procedures;
- a lack of clear performance and monitoring data;
- lack of appropriate recording systems and poor data quality;
- multiple paper based systems;
- inadequate storage and retrieval of documents and property;

Strong progress has been made during the year, with clear procedures now in place for assessing clients' eligibility for support by SAPAT. Performance monitoring continues to allow SAPAT to better understand its client base, work more efficiently and continually improve data quality. An exercise to digitalise historic paper records is complete, allowing multiple workers to view the same information simultaneously. Changes to procedures have significantly reduced the amount of clients property held by the authority. Financial processes continue to be strengthened with guidance from Internal Audit and reconciliations of clients' accounts are undertaken at agreed points.

COMPLETION DATE: 31 DECEMBER 2017

Income Management

Internal Audit identified weaknesses regarding compliance with the Council's procedures and for monitoring and collecting debt. An Income Management project plan has been produced and is now working through opportunities to maximise income, ensuring income due to the Council is identified, charged for and collected in a cost efficient and timely manner. The Income Management project has delivered savings in several areas of the council. There is still, however, improvements to be made in performance monitoring information and reporting, This continues to be developed but these processes have yet to be fully embedded.

COMPLETION DATE: 30 OCTOBER 2017

Doncaster Children's Services Trust overspend

The Council has significant concerns regarding the pressures and financial sustainability of the Doncaster Children's Services Trust. £3.5m additional one-off funding has been provided to the Trust in 2016/17 to fund key pressures including the cost of children placed in care within residential, special guardianship placements and independent fostering agencies. The Council is receiving regular financial updates; the Trust will provide the latest care and modelling assumptions for 2017/18, which will then be discussed with key Council managers. Further discussions are taking place on various innovation and improvement business cases which are expected to deliver savings in the future. This will be incorporated into the sustainable medium-term financial plan for the Trust, which will also include delivering £2m savings in 2018/19 to 2020/21. The actions aim to provide the Trust with the necessary resources to meet the needs of individuals and deliver value for money services. Overview and Scrutiny Management Committee reviewed their plans in February and will be looking in-depth at the progress against them in July 2017.

COMPLETION DATE: 31 MARCH 2018

Data Quality Arrangements

Internal Audit and the Strategy and Performance Unit highlighted an opportunity to improve the reliability of information to support performance management. A revised Data quality strategy (2016-2018) was agreed by Cabinet and the action plan is being monitoried by the Business Intelligence Board. A Data Quality Working group is currently active to ensure actions are delivered including introducing Data Quality Standards and self assessments for statutory returns.

COMPLETION DATE: 31 MARCH 2018

Learning Disability/Supported Living Reviews

An improvement area was identified relating to annual reviews within the Learning Disability Team. There was a risk that some of these reviews may relate to individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for Continuing Health Care (CHC) funding. All of the 267 people identified in supported living had a review of their care and support needs, and where appropriate and required, are now being supported to contribute their disposable income towards their care.

Annual reviews are now scheduled in and allocated in a timely manner to ensure reviews do not become overdue. Financial assessments are now fully embedded within the assessment process. Continuing healthcare (CHC) is now fully embed and considered during the assessment process and where someone is identified as eligible for an NHS assessment this is progressed by referral to the CCG. Reviews are becoming part of business as usual.

There are still opportunities within this setting to take forward the personalisation agenda by decommissioning block contracts and commissioning care which more closely meets people's personal needs and ambitions. This is a key part of the transformation programme and will be delivered through a joint commissioning strategy, and action plan to ensure individuals in supported living have access to a personal budget.

COMPLETION DATE: 31 MARCH 2018

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Doncaster
Metropolitan Borough Council

27th July 2017

To the Chair and Members of the
AUDIT COMMITTEE

STATEMENT OF ACCOUNTS 2016/17
ISA REPORT TO THOSE CHARGED WITH GOVERNANCE

EXECUTIVE SUMMARY

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2016/17 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.

2. The ISA 260 report (Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 30th September.

3. The external auditor (KPMG) expects to issue an unqualified audit opinion on the Council's financial statements for 2016/17; subject to all outstanding queries being resolved to their satisfaction.

4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2016/17.

5. Overall the ISA 260 report is an extremely positive one, with the majority of the adjustments being largely presentational with no impact upon the primary statement and reserve balances. Following discussions on the accounting for the pension liability held by St Leger Homes, the Council has produced a consolidated set of accounts to prevent thier being a material difference on the Council's balance sheet.

6. The ISA 260 report details that overall good quality working papers with a clear audit trail were provided and generally responses to audit queries were provided timely.

7. The Chief Financial Officer & Assistant Director – Finance, has approved the following change to the Accounting Policy regarding depreciation of Other Land & Building as shown below: -

   Previous Wording:

Asset Category	**Useful Life**
Other Land & Building	Dependent upon the asset 30, 40 or 50 years

   New Wording:

Asset Category	**Useful Life**
Other Land & Building	Dependent upon the asset concerned

8. The Chief Financial Officer & Assistant Director – Finance, as the responsible financial officer, re-confirms on behalf of the Council that he is satisfied that the statement of accounts presents a true and fair view of: -

   a. the financial position of the Council at the end of the 2016/17 financial year; and

   b. the Council's income and expenditure for the 2016/17 financial year.

EXEMPT REPORT

9. Not applicable.

RECOMMENDATIONS

10. It is recommended that the Audit Committee: -

   a. Note the contents of the external audit ISA 260 report;

   b. Consider the Letter of Representation and endorse its contents; and

   c. Approve the Statement of Accounts 2016/17.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

Preparation of the Accounts

12. The Council's 2016/17 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer on the 1st June 2017 and published on the Council's website on 2nd June 2017. The statutory deadline to obtain certification of the accounts by the responsible financial officer is 30th June however, due to improved financial management processes, the Council is moving towards a shorter deadline of the 31st May.

13. The draft accounts were presented to this Committee for information on 21st June 2017. KPMG were presented with these draft accounts on 1st June 2017 with working papers being provided on 12th June 2017.

Outcomes of the Audit

14. The audit began on Monday, 5th June 2017 and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied

and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.

15. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion.

16. KPMG did not identify any material misstatements. This is a testament to the knowledge and expertise of all staff engaged in the final accounts process. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with KPMG at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.

17. There was an adjusted audit difference regarding Consolidated Accounts. The Council has not consolidated the subsidiary company of St Leger Homes of Doncaster (SLHD) since 2014/15 on the grounds of materiality. The SLHD pension liability increased significantly from £19.1m in the 2015/16 accounts to £41.7m in 2016/17. This information is not available until mid-April and therefore we were unable to initially discuss with KPMG and agree whether or not consolidated accounts were required. Following ongoing consultation with KPMG it was confirmed that a consolidated set of accounts would need to be prepared to include the results of SLHD. KPMG have noted that the Council were proactive in raising this issue with them as early as possible and were able to produce a set of consolidated accounts in a relatively short timescale ensuring minimal delays to the audit process.

18. KPMG have made three recommendations this year: one is Medium priority and two are Low priority. The Medium priority recommendation is regarding IT User Documentation and Processing around the e5 financial ledger, Universal Housing and Northgate. The two Low priority recommendations are regarding Housing Benefits Overpayments Reports and Reconciliations. These are detailed in the ISA 260 report pages 21 to 22.

19. In the previous year, KPMG raised five recommendations which were reported in the External Audit Report 2015/16 (ISA 260). The Authority has successfully implemented three of the recommendations and will look to implement the remaining two as a priority; further details are provided in the ISA260 report pages 23 to 25.

20. KPMG identified five minor amendments focused on presentational improvements/omissions that have been corrected in the Statement of Accounts. None of these amendments have changed the financial results previously reported in the draft financial statements; the outturn position as reported to Cabinet in June or the reader's interpretation of the accounts. These are detailed in the ISA 260 report page 26.

21. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Monday, 5th June 2017, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.

22. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. KPMG performed detailed work on two identified risks – Children's Services Trust

Overspend and an additional risk identified for Adult Social Care Contracting – as well as work around VfM process in place across the Council. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.

23. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council's 2016/17 Statement of Accounts. The letter is from the Chief Financial Officer & Assistant Director – Finance to KPMG and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any further matters that need to be taken into account prior to their opinion being issued.

24. As previously advised to this Committee, the dates for the 2017/18 accounts to be signed by the Responsible Finance Officer and then published will be brought forward to 31st May, with the audited deadline being brought forward to 31st July. KPMG have reported that the Council is in a good position to take on the 2017/18 earlier closedown with no significant concerns.

OPTIONS CONSIDERED

25. Not applicable.

REASONS FOR RECOMMENDED OPTION

26. The Council is subject to statutory external audit and performance evaluation by KPMG and must prepare annual accounts.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

27. These are detailed in the table below: -

<table>
<tr><th></th><th>Outcomes</th><th>Implications</th></tr>
<tr><td></td><td>All people in Doncaster benefit from a thriving and resilient economy.

• Mayoral Priority: Creating Jobs and Housing
• Mayoral Priority: Be a strong voice for our veterans
• Mayoral Priority: Protecting Doncaster's vital services</td><td rowspan="3">The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.

An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</td></tr>
<tr><td></td><td>People live safe, healthy, active and independent lives.

• Mayoral Priority: Safeguarding our Communities
• Mayoral Priority: Bringing down the cost of living</td></tr>
<tr><td></td><td>People in Doncaster benefit from a high quality built and natural environment.</td></tr>
</table>

	• *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	
	All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
	Council services are modern and value for money.	
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

28. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with KPMG throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings

LEGAL IMPLICATIONS

29. The Council is subject to statutory external audit and performance evaluation by KPMG.

FINANCIAL IMPLICATIONS

30. The Council's Statement of Accounts are prepared in line with the Accounts

and Audit Regulations 2015 and International Financial Reporting Standards (IFRS).

31. The audit fee budget is managed by the Director of Finance and Corporate Services and this review is included in the planned expenditure for the 2016/17 audit.

HUMAN RESOURCES IMPLICATIONS

32. There are no specific Human Resources implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

33. There are no specific Technology implications related to the contents of this report. ICT will work with the owners of the key issues and recommendations highlighted in the KPMG report, where applicable, to consider options to address these moving forward. The implementation of the new service desk solution and associated processes will support the identified improvements to processing of user changes on key IT systems.

EQUALITY IMPLICATIONS

34. This report has no specific equality implications.

CONSULTATION

35. Not applicable.

BACKGROUND PAPERS

36. Following background papers:

- Accounts and Audit (England) Regulations 2015
- The Code of Practice on Local Authority Accounting 2016/17 ('The Code') - based on IFRS
- Draft Statement of Accounts 2016/17

REPORT AUTHOR & CONTRIBUTORS

Robert Isaac, Financial Planning & Control Manager
☎ 01302 737983 robert.isaac@doncaster.gov.uk

Steve Mawson
Chief Financial Officer
& Assistant Director – Finance

KPMG

External audit report 2016/17

Doncaster Metropolitan Borough Council

—

July 2017

Summary for Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Doncaster Metropolitan Borough Council ‘the Authority’.

This report focusses on our on-site work which was completed in July 2017 on the Authority’s significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 – 12.

Our report also includes additional findings in respect of our controls work

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements on 31 July before the deadline of 30 September.

We have identified a number of audit adjustments, notably the need to prepare consolidated accounts. We note that this area was identified as a potential change by the Council ahead of accounts production and was discussed in detail with ourselves. The remainder of the adjustments are largely presentational with no impact upon the primary statements and reserve balances. See page 9-11 for details.

Based on our work, we have raised 3 recommendations. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter by July 31st.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on page 13**.**

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit Committee to note this report.

The key contacts in relation to our audit are:

Clare Partridge
Partner
KPMG LLP (UK)

+44 (0)113 231 3922
clare.partridge@kpmg.co.uk

Matthew Ackroyd
Audit Manager
KPMG LLP (UK)
+44 (0)113 231 254 2996
matthew.ackroyd@kpmg.co.uk

James Boyle
Audit Manager
KPMG LLP (UK)

+44 (0)161 246 4604
james.boyle@kpmg.co.uk

Contents

This report is addressed to Doncaster Metropolitan Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements by 31 August 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported a total surplus on provision of services of £131.3m. Note that this includes £153.9m reversal of previous impairment loss on Council Dwellings. Net outturn therefore was a circa £22.7m deficit. The impact on the General Fund has been a decrease of £4.1m.

Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Significant changes in the pension liability due to LGPS Triennial Valuation	**Why is this a risk?** During the year, the Local Government Pension Scheme for South Yorkshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The pension liability numbers included in the financial statements for 2016/17 are based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data was provided to the actuary by South Yorkshire Pensions Authority who administer the Pension Fund. **Our work to address this risk** We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls. We noted that management had reviewed the actuarial assumptions and lead the queries related to this on behalf of the wider South Yorkshire area. Management has confirmed that the assumptions used by the actuary are appropriate. This was confirmed by our own pensions team. We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have engaged with the Pension Fund audit team to gain further assurance over the pension figures. Our work on the pensions liability identified that the liability with regards to the subsidiary St Leger Homes of Doncaster was a material figure of circa £41.7m. As a result of this it was agreed with management that a consolidated set of accounts was needed to prevent there being a material difference on the Council's balance sheet. We have reviewed the consolidated accounts prepared and have not identified any issues with these or the recognition of the pension liability.
2. Valuation of Property, Plant & Equipment	**Why is this a risk?** At 31 March 2016 the Authority was reporting Property, Plant and Equipment with a value of £1,383m, representing the large majority of assets held on the Balance Sheet. In the prior period additions of over £119m were made in the year (excluding PFI assets). It is the Authority's policy to revalue assets at a minimum every 5 years, with assets being revalued regularly enough to ensure that the value assets are held on the balance sheet is not materially misstated. There is an element of judgement exercised by the authority in determining whether assets require a valuation in year and also with regards to the assumptions made by the valuer in determining a value for the assets.

Significant audit risks	Work performed
2. Valuation of Property, Plant & Equipment (continued)	**Why is this a risk (continued)** Given the materiality in value and the judgement involved in determining the carrying amount we determined a significant risk with regards to this account. **Our work to address this risk** - We have assessed the qualifications and approach adopted by both the Council's in-house valuation experts and the District Valuer. - We have tested the accuracy and completeness of the Authority's asset register through review of the Authority's asset verification processes as well as the verification of assets reviewed as part of our revaluation testing. There were no individually material additions made in year; - We have reviewed the instructions provided to the external valuer and the in-house valuation team and assured ourselves that these are in line with our expectation and any assumptions outlined are reasonable; - We have considered the appropriateness of the valuation basis adopted e.g. fair value or modern equivalent asset basis; - We have agreed the basis of material impairments and revaluation losses through our testing of the revaluation process and agreement of accounting entries; and - We have reviewed the capitalisation of major expenditure in the year, including a review of maintenance spend to ensure there has been no material omissions of capital items.

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Subjective areas	2016/17	2015/16	Commentary
Provisions (excluding NNDR)	3	3	Total value of non NNDR provisions (£12.17m) is marginally higher than our materiality of £11.5m. The majority of the provisions relate to the estimated value of outstanding insurance claims (£8.9m). We have agreed this figure to workings provided by the Council and have deemed this a reasonable recognition.
NNDR provisions	3	3	The NNDR provisions held at year end (£3.33m) are significantly less than our materiality level of £11.5m. We have reviewed the workings for the NNDR provisions and note that these have dropped from the prior period based upon a lower than expected trend of back dated appeals. The methodology behind this calculation is considered balanced and based accordingly upon recent historical trends and knowledge of current cases.
PPE: HRA assets	3	2	The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. The Authority has utilised the District Valuer to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase is in line with guidance provided by DCLG and the 41% Regional Adjustment Factor deemed appropriate for the Yorkshire and Humber region. We have also seen work performed locally that justifies the utilisation of the 41% Regional Adjustment Factor.
PPE: Asset lives	3	3	Our work around PPE did not identify any inappropriate asset lives being applied to PPE held. We are therefore satisfied that the asset lives being applied by the Council are reasonable and reflect as closely as possible the expected useful remaining life of assets. We note that the accounting policy with regards to the asset lives of buildings has been updated to reflect actual practice.
Pensions: Actuarial Assumptions	3	3	As part of our work we have engaged our own pensions specialist to review the actuarial assumptions used in relation to the Council's share of the South Yorkshire Pension Fund and this work did not identify any outliers. We also note that the Council lead a local assessment/discussion of assumptions with the actuary demonstrating a review and challenge process giving us further assurance with regards to the veracity of the key assumptions made.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 27 July 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £11.5 million. Audit differences below £575k are not considered significant.

We did not identify any material misstatements. We identified that a set of group accounts needed to be prepared due to the material nature of the pension liability held by the subsidiary company St Leger Homes of Doncaster.

The Council were proactive in raising this issue with us as early as possible and were able to produce a set of consolidated accounts in a relatively short timescale ensuring minimal delays to the audit process.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). These have been addressed by management.

Annual governance statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

— It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*;

and

— It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

We note that the Authority were largely ready and able to submit draft accounts by the 31st May deadline that will apply from 2017/18. We also note that we anticipate being able to deliver our audit opinion this year by the 2017/18 deadline of 31st July. This reflects the hard work and good quality of supporting documentation prepared by the Council's finance team.

We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 1st June 2017, which was ahead of the 30th June statutory deadline.

Quality of supporting working papers

Ahead of our audit, we issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) which outlines our documentation request. This helps the Authority to provide audit evidence in line with our expectations.

We are pleased to report that overall good quality working papers with a clear audit trail were provided.

Response to audit queries

Generally, the responses to our audit queries were timely and enabled the audit to progress to the agreed timetable. As a result of this, all of our audit work were completed within the timescales expected with few outstanding queries. This achievement puts the Authority in a good position to take on the 2017/18 earlier closedown with no significant concerns.

Group audit

The Council consolidated its only subsidiary company St Leger Homes of Doncaster.

To gain assurance that this has not been materially misstated we considered the draft financial statements of the entity and compared these both to prior period and our understanding of the entity. We noted, as per our understanding, that the large majority of transactions and balances were intercompany and therefore eliminated on consolidation. The net impact of I&E transactions being significantly below our materiality level.

For the material pension liability balance we agreed these figures to the actuarial report produced by Mercer and the data submitted to the actuary by the subsidiary.

We are pleased to report that there were no issues to note in relation to the consolidation process.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented 3 of the recommendations in our ISA 260 Report 2015/16. We note that issues remained with regards to reconciliations and IT user access reviews. Appendix 2 provides further details.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Below we have highlighted exceptions in relation to controls:

General IT Controls

— Starters, leavers, and amendments: Authorisation of starters, leavers or amendments are not clearly evidenced or documented. We identified a compensating assurance whereby we were able to identify that users with access to the tested systems were relevant and appropriate.

Reconciliations

— Our testing of reconciliations noted that bank, Accounts Payable and Universal Housing reconciliations were not 'frozen in time' meaning that these could be edited or amended after being performed. We noted that for one Accounts Payable reconciliation this had resulted in the review signature being overwritten. We have gained assurance from the fact that we could evidence reconciliations were being performed and the year end reconciliations did reconcile.

— We further noted that the Universal Housing / General Ledger reconciliation was not marked as prepared and the authorisation was only a typed excel cell. We gained assurance from the fact that the reconciliation was performed and we could see that the year end reconciliation did reconcile.

Housing Benefits Overpayment Report

- Our work identified that an overpayments report is utilised by the benefits team to investigate possible instances of overpayment. Our testing noted that this report was not retained and therefore we were unable to verify this control was operating prior to November 2016. We have gained assurance from the fact that the report is ongoing and we have seen the control was operating effectively form November onwards, therefore any recurring instances of overpayment would have been subsequently identified.

Further detail and associated recommendations can be found in Appendix 1.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Financial Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

There are no issues over which we are seeking specific management representations.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

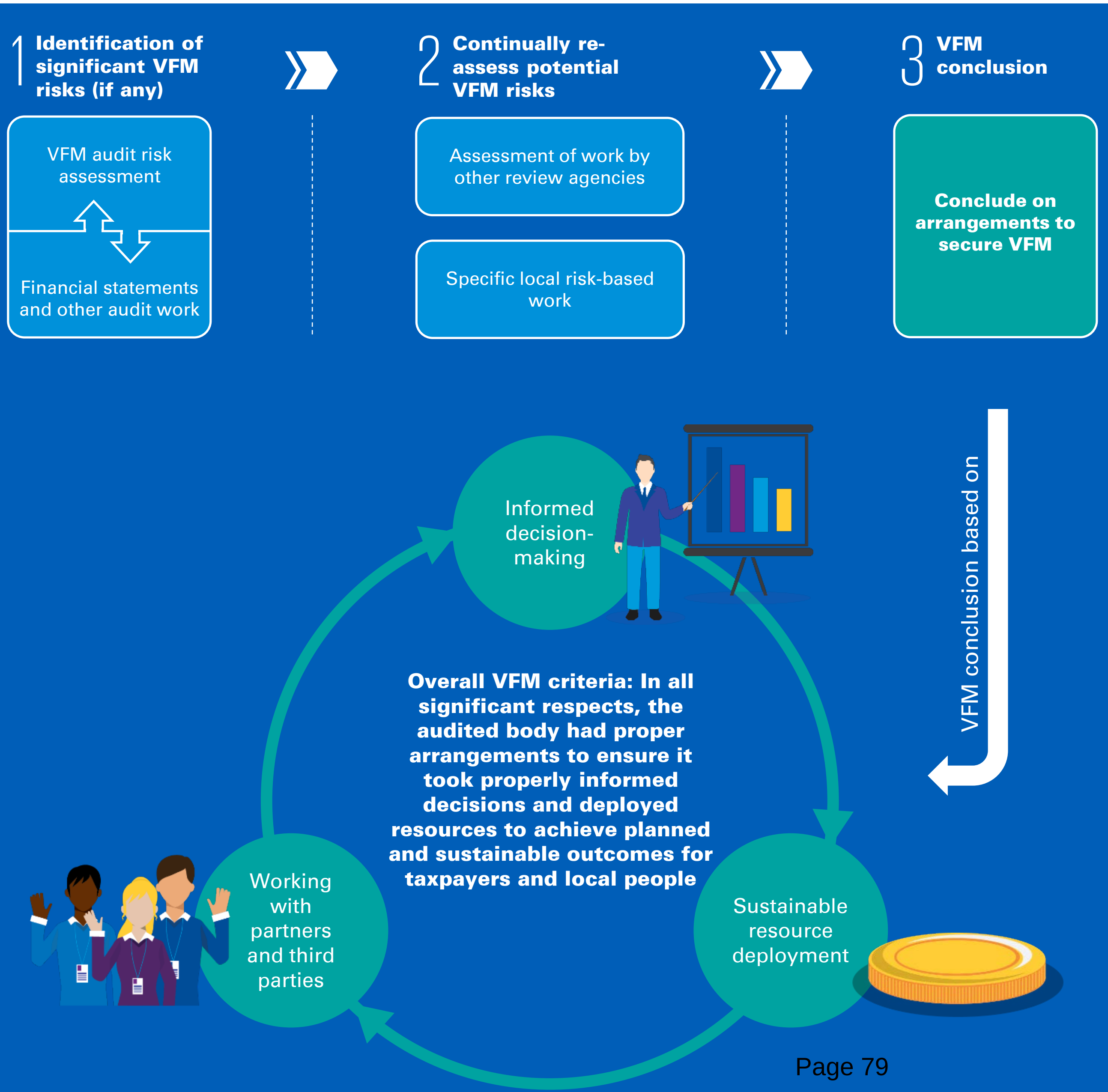
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary

VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Children's Services Trust Overspend	✓	✓	✓
2. Adult Social Care Contracting	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In our audit plan presented in January 2017 we identified a significant VFM risk with regards to the overspend and performance of the Children's Services Trust. As part of our ongoing risk assessment we have identified a further VFM risk with regards to Adult Social Care contracting arrangements.

We have performed detailed work on both of these identified risks as well as wider work around VFM processes in place across the Council.

Our work has not identified any issues that would adversely impact upon our Value For Money conclusion.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We have identified two significant VFM risks, one is as communicated to you in our *2016/17 External Audit Plan*. Our ongoing risk assessment identified a further significant VFM risk. In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Significant VFM risks	Work performed
1. Children's Services Trust Overspend	**Why is this a risk?** We noted that the Finance & Performance Improvement Report for Q2 showed an overspend of circa £4m, of which £3.2m related to the Children's Services Trust. There is a risk that there is insufficient governance of the contract with the independent provider (Children's Services Trust) to verify that the payments deliver value for money. **Summary of our work** In order to assess this risk we held conversations with a number of individuals across the organisation including those directly involved in quality, performance and financial management of the contract with the Children's Services Trust. Complimenting these discussions we also reviewed relevant minutes and reporting to both Council and the Audit Committee as well as reviewing and assessing minutes and actions from performance meetings. In combination this work gave us assurance that the Council was working collaboratively with the Children's Trust, providing assurance with regards to the 'working with partners and third parties' VFM criteria. We also noted that the performance and financial position of the Trust and the contract in place was discussed in detail and reported to management and those charged with governance in a transparent fashion, meeting the 'informed decision making' VFM criteria. Finally, we noted that there was a clear plan in place for the Children's Trust to take on more of the risk of service moving forwards as they become more established as an entity. We noted that the final outturn position for the Trust was a £1.5m overspend, which does include some additionally agreed funding during the year (circa £1.9m) due to volume pressures. We also noted observations (evidenced through minute reviews of performance meetings) that the level of information and collaboration being provided by the Trust was improving enabling clearer decisions to be made with regards to resource deployment. This has provided us with evidence that the 'sustainable resource deployment' criteria is being met.

2. Adult Social Care Contracting

Why is this a risk?

There are a number of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. As noted within the internal audit annual report it has not always been clear as to the reasons for these breaches although it is clear that many are linked to a need for a revised strategy for the future provision of services.

There is a risk that contract breaches and commissioning arrangements do not offer value for money to the Council and are not part of a wider more informed strategy.

Summary of our work

We have reviewed the Commissioning Plan currently in place for the Adults, Health and Wellbeing directorate. This highlighted the fact that the total annual value of those contracts 'in breach' at the end of the 2016/17 period was circa £3.3m, equating to around 2.2% of gross budget and 4.6% of net budget for Adults, Health and Wellbeing. Noting that the contracts in question would likely be replaced by others (and therefore costs would still be incurred) we are satisfied that the sums being discussed in relation to contracting are relatively small in the context of the Authority as a whole.

We have reviewed the budgetary reporting and the breaches and waivers reporting that has taken place to Audit Committee and as a result gain assurance that the position with regards to expired or breached contracts has been transparently reported, giving us assurance with regards to the 'informed decision making' criteria.

We have noted from review of commissioning plan and ongoing reporting to management that the Council continues to work with third party providers closely, including the CCG, in order to ensure services continue to be provided whilst some service redesign is being considered. This gives us assurance that the Council continues to work with partners and third parties to ensure services are delivered.

We are encouraged by the Council's ongoing plans to redesign services and to ensure that commissioning of new contracts takes place in a structured, but timely, manner. This recognises that some contracts may continue to operate in breach in the shorter term, however we have been able to see that where this is the case there is a clear rationale in terms of ensuring a sustainable service is delivered into the future. We are therefore satisfied that, given the service redesign plans in place and the values of contract breaches the Council is able to demonstrate that sustainable resource deployment has taken place.

Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements has identified a number of issues. These are largely in relation to IT controls, the retention of documentation and evidencing of reconciliation preparation and review. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	**Total raised for 2016/17**
High	**0**
Medium	**1**
Low	**2**
Total	**3**

Medium priority

1. IT User Documentation and Processing

Our audit identified a number of issues with regards to the general IT controls in place across the 3 IT systems tested, namely: e5 financial ledger, Universal Housing (Housing Rents system) and Northgate (Benefits system).

With regards to Universal Housing we noted that the password control in place did not function as per the policy with a 3 character password able to be utilised rather than the 8 characters required by the policy.

For all 3 systems tested we noted that the controls around the approval of new users and removal of leavers were weak. We were unable to agree starters and leavers to relevant line manager approvals in the majority of cases.

We also noted in the case of Universal Housing that leavers were not processed regularly, with our testing carried out in March/April 2017 noting that leavers had not been processed since November 2016.

There is a risk that without appropriate starter and leaver processes in place users are given access erroneously to systems and are able to post amendments to systems. This risk is magnified on the Universal Housing and Northgate systems where reports are only able to show access to the system from Users for the past 7 and 15 days respectively. This means that the Council is unable to identify those users that might have accessed the system maliciously outside of this timeframe.

Recommendation

The Council should ensure that there is a clear process and guidance in place with regards to the processing of user changes (starters, leavers and amendments) on key IT systems. Access rights should be periodically reviewed to ensure that these remain appropriate.

Key control parameters such as passwords should also be tested periodically to ensure they continue to meet the requirements of IT security policies.

Management Response

Accepted

The Council accepts the recommendations identified. A review is currently being undertaken as part of the Internal Services Project, which is looking at the whole process for new starters, movers and leavers. Following the review, actions will be implemented which will improve the weaknesses identified. St Leger Homes will also review and update the password control for the Universal Housing system.

Owner

Steve Mawson

Deadline

31st January 2018

Low priority

2. Housing Benefits Overpayments Report

The Council utilises an ‘overpayment’ report in order to identify and investigate potential errors in payment. Whilst the control is effective it was noted that these reports are not retained for a full financial year meaning there is not a clear audit trail of the control having taken place throughout the period.

Recommendation

The Council should ensure that the overpayments report, and other evidence of controls operating, are retained for a sufficient period in order to provide a clear audit trail of operation.

Management Response

Accepted

The overpayment report which is run on a daily basis will be saved from September 2017, which will support the effective control which is currently in place regarding potential overpayments.

Owner

Marian Bolton

Deadline

30th September 2017

Low priority

3. Reconciliations

Our testing identified that key reconciliations between systems and the general ledger were taking place.

However, our testing noted that in many instances the reconciliations were maintained in an editable Excel format, which was not ‘frozen in time’. This could mean that reconciliations are amended following completion or evidence of review is not maintained.

In one instance of the Accounts Payable reconciliation we noted that review could not be evidenced as it had been overwritten by the following month’s reconciliation process.

We also noted on the Universal Housing reconciliation that there was no evidence maintained of who had prepared the reconciliation.

Recommendation

The Council should ensure that all key reconciliations clearly evidence who has prepared and reviewed the reconciliation and on what date this was performed. The reconciliations should then be ‘frozen in time’ e.g. by saving as a PDF in order to prevent further editing of the document.

Management Response

Accepted

As part of the closedown review we will review all reconciliations and identify areas where reconciliations are not being saved in a PDF format. Staff will be informed that they will need to start saving the document in PDF and make sure it is clear who prepared, reviewed the work and on what date. Specific actions will be implemented to save accounts payable and universal housing reconciliations in PDF as part of the process.

Owner

Steve Mawson

Deadline

30th September 2017

Follow-up of prior year recommendations

In the previous year, we raised five recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has not implemented all of the recommendations. We re-iterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date. We have also obtained Management's assessment of each outstanding recommendation.

Below is a summary of the prior year's recommendations.

2015/16 recommendations status summary

Priority	Number raised	Number implemented / superseded	Number outstanding
High	0	0	**0**
Medium	1	1	**0**
Low	4	2	**2**
Total	**5**	**3**	**2**

Low priority

1. User Access Reviews

As part of our testing of general IT controls, we found that there is no periodic review of users and their access taking place in relation to the general ledger.

There is a risk that users have inappropriate levels of access to the general ledger.

Through additional testing, we have gained assurance that users had appropriate levels of access in the year, or that user access has been amended to correct any issues identified (and that these users did not access the system inappropriately during the year).

Recommendation

We recommend that the Council implements a periodic review of users and their access to provide assurance that only authorised users have appropriate levels of access to the system.

Management original response

New procedures for periodic user cleanse to be undertaken quarterly to review and disable users that have not accessed E5 or CP within the last 12 months.

Owner

Steven Brown

Original deadline

31st October 2016

KPMG's July 2017 assessment

Not implemented

As per current year recommendation 1, there were a number of instances identified where we were unable to verify starters, leavers and amendments to IT users back to supporting documentation. We also noted that there was not a periodic review in place. As part of our year end audit procedures we have asked management to confirm the users currently with access to the tested IT systems as being appropriate.

Management's July 2017 response

The original response has been implemented but unfortunately this does not satisfy the above issue in full. Therefore on a quarterly basis as part of the monitoring cycle a list of current general ledger users (Financial Management Users) will be sent to the Head of Financial Management to review and confirm the access is correct. (This will be implemented as part of quarter 2 monitoring).

Low priority

2. Review of Reconciliations

As part of our controls testing we were unable to find evidence of management review of the housing rents cash receipting reconciliation.

There is a risk that errors go unidentified due to a lack of review of reconciliations.

To note, we were able to view the completed reconciliations and verify the balances within them and therefore have assurance that they have been completed appropriately in the year.

Recommendation

We recommend that all reconciliations are reviewed with sign off to evidence this.

Management original response

We are going to start a monthly reconciliation where the management accountant will check the cash reconciliation and sign off each month.

Owner

Julie Crook

Original deadline

31st October 2016

KPMG's July 2017 assessment

Not implemented

Review of the reconciliations in the period highlighted that there was no evidence of who had prepared these reconciliations and evidence of review was merely the input of a name into an Excel cell. In line with current year's recommendation 3 the Council should consider 'frozen in time' reconciliations to fully evidence preparation and review of reconciliations. We were able to verify year end balances and therefore there has been no impact upon our audit opinion.

Management's July 2017 response

The original response has been implemented but unfortunately this is not supported by any saved evidence other than the reviewers name on the excel document. The preparer and reviewer details will be included on all reconciliations from this month.

Low priority

3. Paperwork for new starters

There were 3 instances out of a sample of 25 new starters tested where we could not locate paperwork to support the employment of this new starter. We were able to gain assurance, through other procedures, that these new starters were valid.

There is a risk that there is no audit trail in place for the employment of new starters at the Council.

Recommendation

We recommend that all paperwork in relation to new starters is retained on personnel files. Sample audits should be completed on a periodic basis to ensure that this policy is adhered to.

KPMG's [July 2017] assessment

Fully implemented

Testing of starters this year did not identify any issues with regards to the retention or availability of paperwork.

Medium priority

4. Valuation of Waste Management Asset

The Waste Management PFI came into use during the year. Once assets have been recognised, under section 4.3 of the Code, an assessment needs to be made as to whether the asset value needs to be re-measured. No such revaluation took place at the time the asset came into use and therefore there is a risk that the value of the asset may be misstated.

Subsequent to our onsite audit work we have now obtained a formal valuation of the asset from Rotherham Council's valuer. We have discussed this with our technical expert and have not identified any issues with the process used to value this asset. We have therefore gained assurance, for the current year audit, that the value of the asset has not been materially misstated.

Recommendation

We recommend that the latest valuation of the asset is reflected in the 2016/17 statement of accounts, and that all new assets are valued when they come into use in line with the requirements of the code.

KPMG's July 2017 assessment

Fully implemented

We were able to agree the value of the waste management asset directly to the formal valuation carried out by Rotherham Council's valuer. No issues were identified with regards to this valuation.

Low priority

5. Completion of bank reconciliation

We found that the bank account used for drawings was not reconciled for the month of December in line with established procedures.

There is a risk that there could be an error or an instance of fraud on this account which goes unidentified.

To note, the reconciliation had been completed for all other months throughout the year including the year end. We did not identify any outstanding or overdue items within the reconciliations which demonstrates that the process is operating effectively overall.

Recommendation

We recommend that this reconciliation takes place on a monthly basis in line with established procedures.

KPMG's July 2017 assessment

Fully implemented

Our testing of bank reconciliations in the 2016/17 period did not identify any instances of reconciliations not having been completed.

Appendix 3

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Adjusted audit differences

Consolidated Accounts

In the past two years the Council had made the decision to not consolidate the subsidiary company St Leger Homes of Doncaster (SLHD) on the grounds of materiality. As a result of the triennial valuation of the Local Government Pension Scheme carried out in year, the pension liability increased significantly to a material level. This information came to light a little late with regards to being able to initially consolidate the results into a set of group accounts. Following ongoing consultation with ourselves it was confirmed that a consolidated set of accounts would need to be prepared to include the results of SLHD. We note that the Council were proactive in raising this issue with us as early as possible and were able to produce a set of consolidated accounts in a relatively short timescale ensuring minimal delays to the audit process.

Other Adjustments

In addition to the above, a number of minor amendments focused on presentational improvements/omissions have also been made to the 2016/17 draft financial statements. We note that these items are relatively minor in nature and relate largely to human error rather than pointing to any specific weaknesses in control. None of the adjustments made impacted upon the primary statements. We are pleased to note that the Finance team remains committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

The corrections made are detailed in the table below:

Table 1: Adjusted audit differences

No.	Description
1	The *accounting policy* with regards to *asset lives* did not reflect the practice of adjusting asset lives on a regular basis to reflect the expected remaining life of the asset.
2	*PFI disclosure* with regards to the Waste Management PFI had erroneously picked up the incorrect line to disclose as the remaining Unitary Charge. This was acknowledged by the Finance team and has been corrected accordingly.
3	*Surplus Assets* - authorities are required to disclose the level of the fair value hierarchy within which surplus assets sit. Disclosures are also required that provide the reader with information about the valuation techniques and inputs used to develop fair value measurements. It was noted that these disclosures had been initially omitted from the financial statements prepared. This disclosure has now been made accordingly.
4	*Officer Bandings* – There was one officer whose salary was under £50k that had been erroneously disclosed within the breakdown of officers with remuneration over £50k. This has since been corrected
5	*Collection Fund* – Some very minor errors with regards to headings were corrected. These did not impact the substance of the disclosures.

Unadjusted audit differences

We note that there are no unadjusted audit differences to bring to your attention.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in January 2017.

Materiality for the Authority's accounts was set at £11.5 million which equates to around 1.58 percent of gross expenditure (circa £728m once allowing for £154m gain on Council Dwellings). We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee/Name of the Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £575,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £164,844 plus VAT *(£164,844 in 2016/17)*, which has remained the same as the prior period.

Our work on the certification of Housing Benefits (BEN01) is planned for September 2017. The planned scale fee for this is £25,035 plus VAT. Planned fees for other grants and claims which do not fall under the PSAA arrangements is £9,000 plus VAT (£9,000 in 2016/17), see further details below.

PSAA Fee Table	
Component of audit	**2016/17** *(actual fee)* £
Accounts opinion and use of resources work	
PSAA scale fee set in 2014/15	164,844
Subtotal	**164,844**
Housing benefits (BEN01) certification work	
PSAA scale fee set in 2014/15 – planned for September 2017	25,035
Total fee for the Authority set by the PSAA	**189,879**

All fees are quoted exclusive of VAT.

Non-PSAA Fees	
	2016/17 *(planned fee)* £
Grants Certification Work	
Pooling Capital Receipt Return	2,750
NCTL Teaching Bursary Return	3,000
Teachers Pension's Agency Return	3,250
Total fee for the Authority set by the PSAA	**9,000**

All fees are quoted exclusive of VAT.

Doncaster
Metropolitan Borough Council

Clare Partridge
KPMG LLP
1 Sovereign Square
Leeds
LS1 4DA

27 July, 2017

Dear Clare

This representation letter is provided in connection with your audit of the financial statements *of Doncaster Metropolitan Borough Council* ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;

    ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

    The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

    i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

    ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:

   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.

    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 27 July 2017.

Yours faithfully,

Councillor Austen White
(Chair of the Audit Committee)

Steve Mawson
(Chief Financial Officer
& Assistant Director – Finance)

CC: Audit Committee

Appendix to the Authority Representation Letter of Doncaster Metropolitan Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenduture and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.**Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transactions

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
    viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Doncaster
Metropolitan Borough Council

Statement of Accounts 2016/17

www.doncaster.gov.uk

Doncaster MBC Statement of Accounts 2016/17

Contents	Page

Narrative Report

Introduction

The accounts of such a large and diverse authority as Doncaster Metropolitan Borough Council are, by their nature, both technical and complex. The information contained within the Statement of Accounts for 2016/17 is presented as simply and clearly as possible. The Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2017 along with its financial prospects.

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards ('IFRS') for 2016/17 (the Code) and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy ('CIPFA'). The overriding requirement of the Code is that the Statement of Accounts 'presents a true and fair view' of the financial position and transactions of the Council.

About Doncaster

The Council is located in the county of South Yorkshire and is one of the oldest boroughs in England having been established since 1194. It is geographically the largest metropolitan district in England covering an approximate area of 57,000 hectares with a population of 304,813.

Council's Performance

The Council and its partners ('Team Doncaster') are committed to building a strong local economy as the foundation for enabling all residents to achieve their full potential within progressive, healthy, safe and vibrant communities.

- **Performance Position: 93% of service measures at or close to target**

In quarter 4, the overall performance of the Council's service measures is good with 93% (41 out of 44) exceeding or close to local targets. Doncaster has performed well in many areas. At £90.5m, investment into and within Doncaster nearly doubled the target level as did new full time equivalent jobs created through the support of Business Doncaster. Continuing last year's success, 1057 new homes were built across Council and private sector providers, which bucked the national and regional trend by over-delivering against the Council's identified need, at a time when other areas in the region are falling short. Regarding Doncaster's young people, 1175 new apprenticeships have been created since 2013 and first choice school placements at both primary and secondary levels exceed national average levels. Admissions for residential care are lower this year than in previous years and quarter 4 saw the biggest increase in direct payment take up for 2 years. In addition, 70% of the Council's spend was made with Doncaster companies.

Measures that are adrift from the Council's local targets include schools persistent absenteeism at both primary and secondary levels, drug treatment success rates and overall staff sickness levels and outcomes for Care Leavers.

Further details can be found in the Finance and Improvement Report: 2016-17 Quarter 4: -

https://doncasterintranet.moderngov.co.uk/documents/s11740/Finance%20and%20Performance%20Report%20Quarter%204.pdf

Financial Performance

- **Revenue Position: £2.3m overspend**

The outturn position for the Council is a £2.3m overspend. The table below represents General Fund services only. The figures differ from those shown in the statements on pages 9 to 13 as these statements include both General Fund and the Housing Revenue Account (HRA).

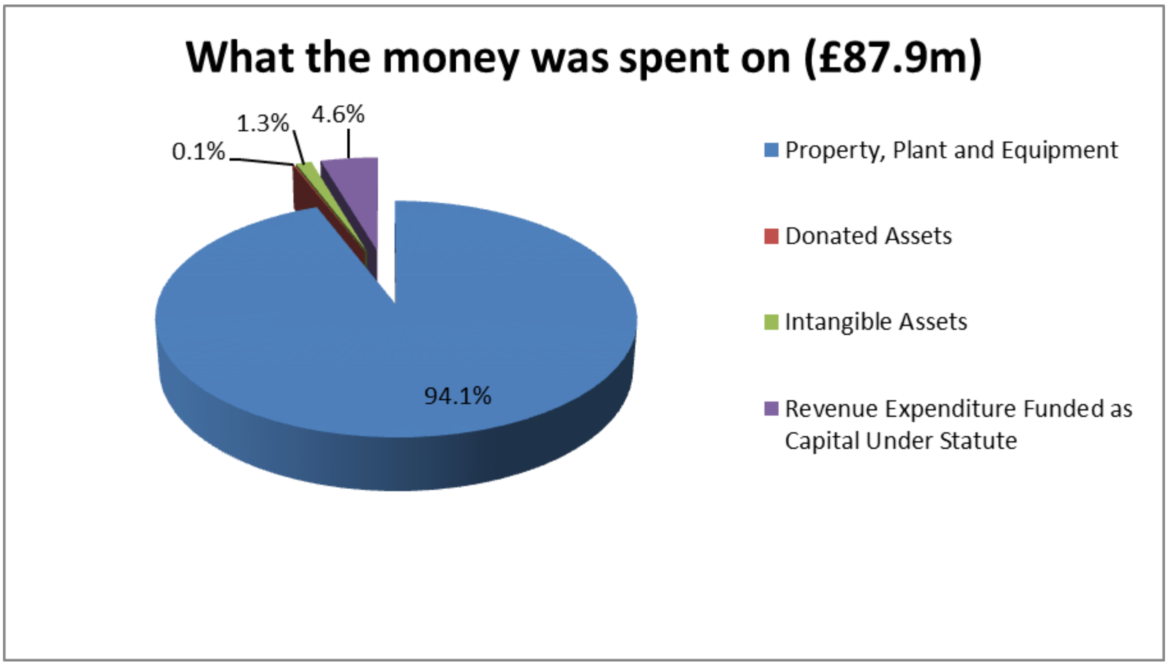
	Gross Budget £m	Net Budget £m	Total Variance £m
Services			
Adults Health and Wellbeing	148.7	72.5	0.9
Learning & Opportunities - Children & Young People	158.2	9.8	0.0
Children's Services Trust	45.7	41.7	1.5
Finance & Corporate Services	123.3	20.7	(1.3)
Regeneration & Environment	72.8	38.2	2.8
Total Services Budgets	**548.7**	**182.9**	**3.9**
Council Wide			
General Financing/Treasury Management	6.0	5.4	0.1
Council-wide savings targets	(1.1)	(1.1)	1.1
Other Council-Wide	26.0	17.9	(2.9)
Subtotal	**30.9**	**22.2**	**(1.7)**
Levying Bodies	18.0	18.0	0.0
Business Rates	0.0	(125.4)	0.1
Subtotal	**18.0**	**(107.4)**	**0.1**
Total General Fund Services	**597.6**	**97.7**	**2.3**

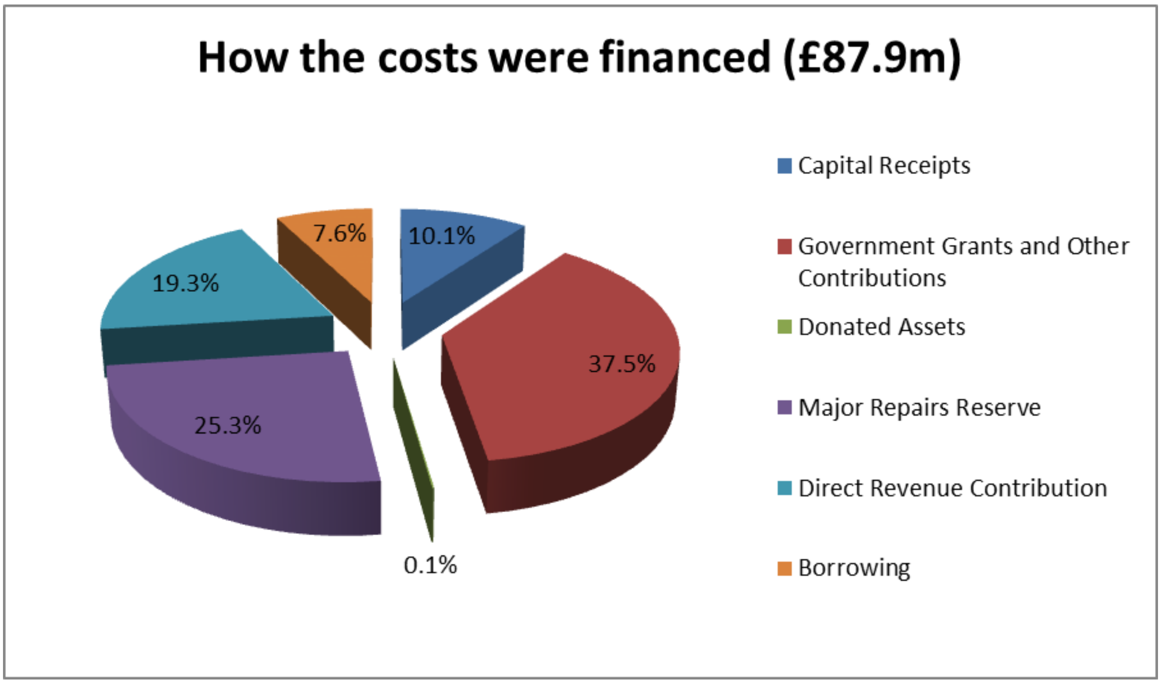
The Regeneration & Environment £2.8m overspend and Children's Trust £1.5m overspend are offset by £1.3m one-off underspends in Finance & Corporate Services and £1.7m one-off underspends in Council-Wide. The position includes the delivery of £37.4m savings towards the £40.2m target, leaving a shortfall of circa £2.8m mainly from the Modern & Productive, Appropriate Assets and Digital Council programmes.

- **Capital Position**

Capital expenditure represents money spent by the Council to purchase, upgrade or improve assets such as buildings, vehicles and roads. The distinction between capital and revenue expenditure is that the Council and its communities receive the benefit from capital expenditure over a longer period of time, usually over a number of years.

The Council spent £87.9m on capital schemes which includes schemes such as the High Speed Rail College, DN7 unity link road, adaptions for the disabled, creation of school places and the school condition programme.

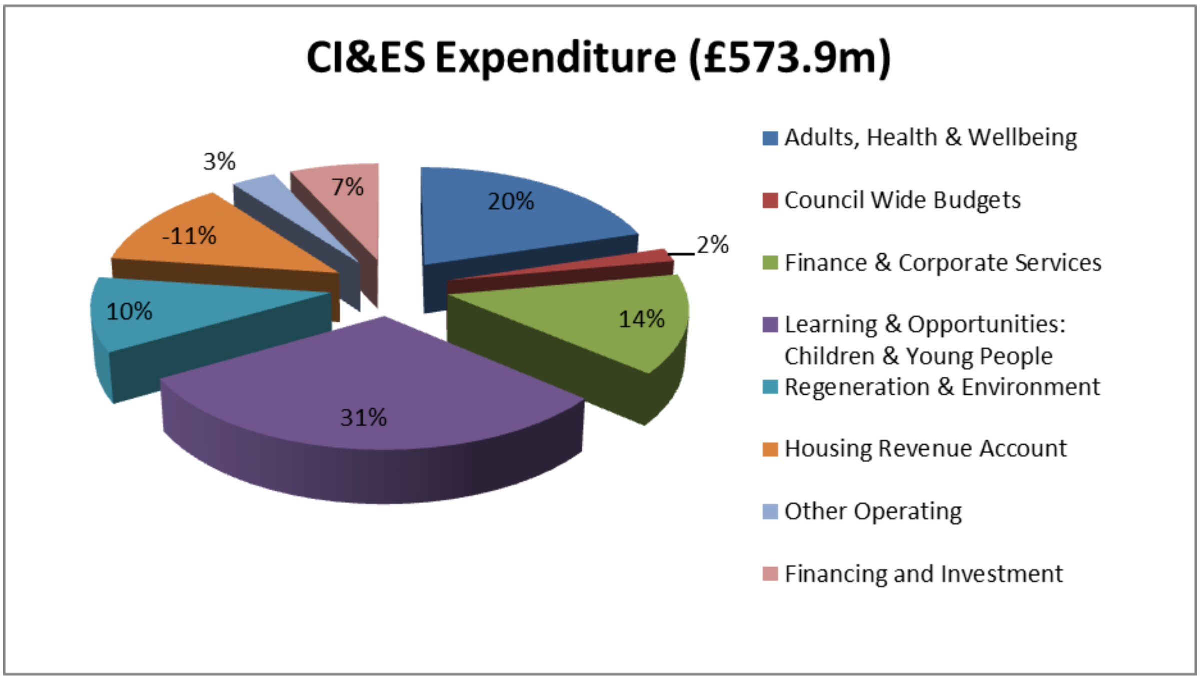


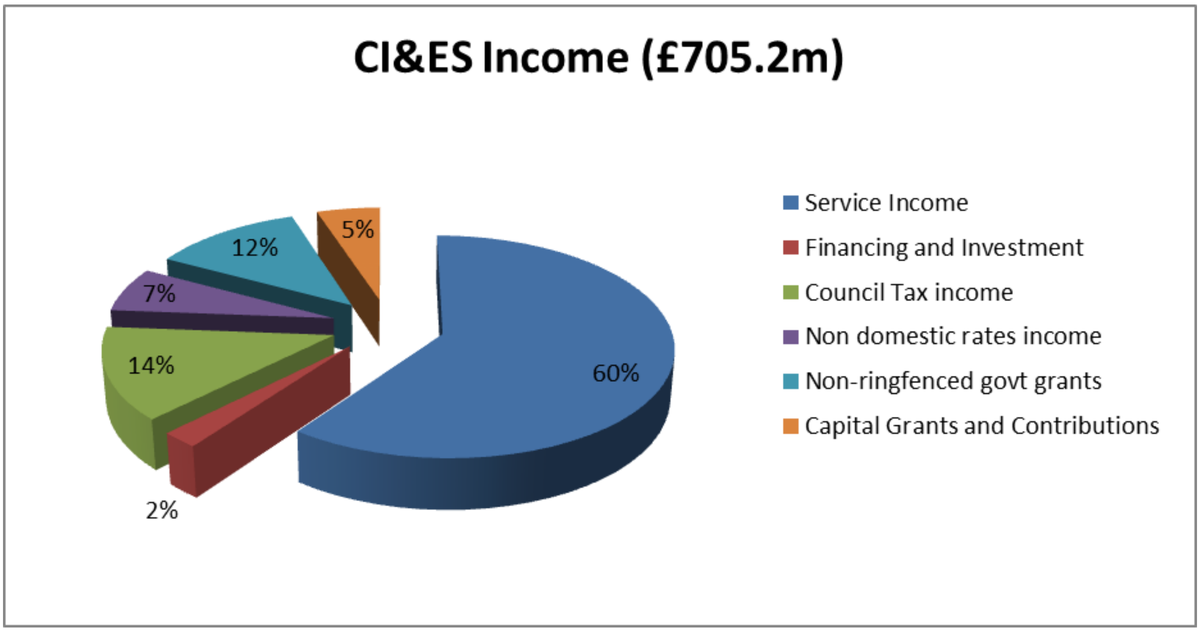


- **Cost of the Council's Services**

The Comprehensive Income and Expenditure Statement ('CI&ES') for 2016/17 shows the cost of running the Council's services and how that was funded between April 2016 and March 2017.

Overall expenditure on Council services was £573.9m, down £168.1m or 22.7% compared to 2015/16. Income was £705.2m, down £15.3m or 2.1% compared to 2015/16. The surplus on provision of services was £131.3m, up £152.8m or 710.7% compared to 2015/16. This was largely due to a revaluation gain in social housing – see Note 5 to the accounts.





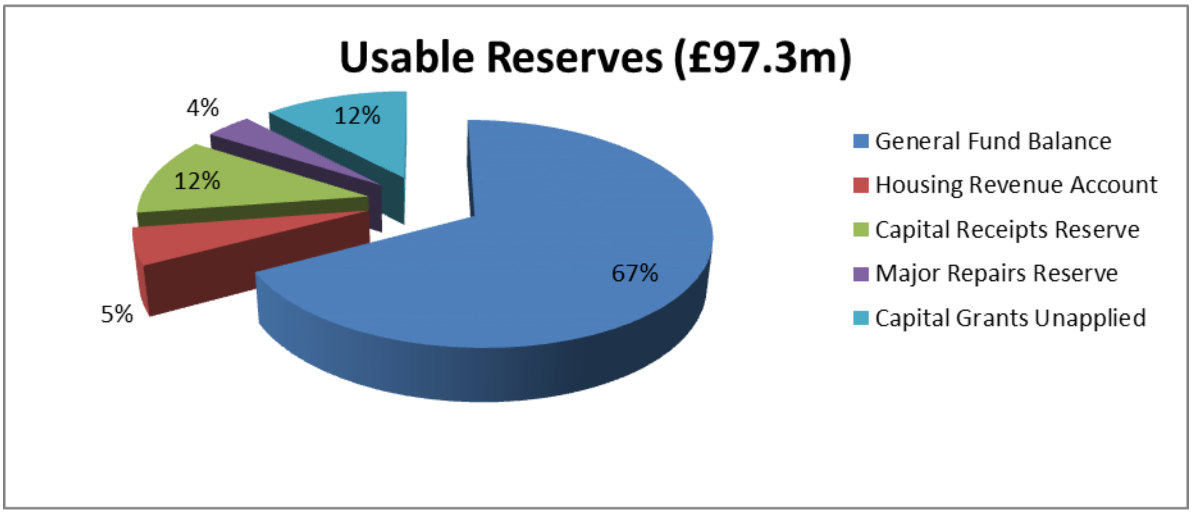
- **Balance Sheet**

The Council's net worth increased by £24.7m from £580.0m to £604.7m which is mainly due to an increase in Property, Plant & Equipment partially offset by an increase in the liability related to defined benefit pension scheme.

Balance Sheet	**31st March 2017 £m**
Non-Current Assets (e.g. Property, Plant & Equipment)	1,586.4
Current Assets (e.g. short term debtors)	101.6
Cash and cash equivalents (net)	(8.9)
Current Liabilities (e.g. short term creditors, short term borrowing)	(71.1)
Long Term Liabilities (e.g. long term borrowing, pension deficit)	(1,003.3)
Net Worth (31st March 2016: £580.0m)	**604.7**
Financed by:	
Usable Reserves (see below)	97.3
Unusable Reserves	507.4
Net Worth (31st March 2016: £580.0m)	**604.7**

- **Usable Reserves**

The Council's usable reserves decreased by 4.0% to £97.3m, this includes a decrease in the General Fund reserves of £4.0m or 5.8% to £65.5m.



Financial Outlook

- **General Fund – Revenue**

The Council's financial position continues to be significantly affected by the Government's plans for deficit reduction which requires local authorities to reduce expenditure or increase income. Despite these considerable funding reductions, the Council is committed to promoting growth and prosperity for its residents. Savings from services will be targeted to deliver value for money and make a difference to those people who need them the most, making the most of technology and redesigning services so they are fit for the future. The Council will continue to work in partnership with local communities, voluntary, charity and faith sectors to integrate and deliver services together.

On 2nd March 2017, the Council set a budget which involved setting a target to fund £23.5m of financial pressures in 2017/18, increasing to £66.8m a year by 2021. This arises due to government grant reductions of £10.4m in 2017/18, increasing to £19m a year by 2020/21. On top of the grant reductions the Council is facing significant expenditure pressures which are estimated at £13.1m in 2017/18 and increase to over £47m by 2020/21.

Whilst the financial circumstances are not of the Council's making, it is the Council's responsibility to propose a robust, clear and balanced budget. The budget proposed is based on reduced but sustainable income and only uses minimal one-off reserves in 2017/18 in line with the financial strategy. Delivery of the budget continues to depend on achieving the challenging reductions in spending and delivering high quality key services. The Council has plans to address the £23.5m in 2017/18.

The Medium-Term Financial Forecast for the period 2017/18 to 2020/21 details all the assumptions resulting in the £66.8m savings required by 2021; along with the £23.5m for 2017/18 this includes £13.1m for 2018/19, £14.0m for 2019/20 and £16.2m in 2020/21. It is intended that the Mayor and Full Council will consider a 4-year balanced budget to March 2021 in autumn 2017.

On the 23rd June 2016, the United Kingdom voted to leave the European Union (EU). Article 50 has now been triggered giving the UK and the EU 2 years of negotiations with the EU and the rest of the world. The impact of leaving the EU continues to be uncertain and the Council will continue to monitor events closely.

- **The Capital Programme**

The Council continues to invest in the future of the Borough despite the tough economic climate with an estimated £332m of capital investment over 2017/18 to 2020/21 that will continue to stimulate growth and prosperity, with £119m of spend estimated for 2017/18. The Council is investing in projects to further improve education, housing, infrastructure, leisure and culture, as well as attracting investors and visitors to the Borough.

Prime examples of this investment are: -

- Urban Centre - The Council will deliver £30.5m of investment in a range of projects in the urban centre aligned with the Town Centre Master Plan
- The Council will deliver £41.2m of investment in major transport schemes such as the Finningley and Rossington Regeneration Route Scheme (FARRRS) phase 2, A630 West Moor Link dualling and A1/A19 Link Road.

- **Corporate Plan**

A new Corporate Plan has been agreed for 2017/18 which marks the next stage in the Council's improvement journey. It has 4 priority themes: -

- Doncaster Working
- Doncaster Caring
- Doncaster Living
- Doncaster Learning

Further details can be found on the Council's website: -

http://www.doncaster.gov.uk/services/the-Council-democracy/corporate-plan

Risk Management Framework

The Council recognises that risk management is an integral part of good governance and management practice. Managing risks effectively contributes to the delivery of the strategic and operational objectives of the Council.

The Council holds a Risk Management Framework containing key documents. There are currently 18 Strategic Risks and all have been updated as part of the quarter 4 finance and performance reporting process. Further details can be found on the Council's website: -

http://www.doncaster.gov.uk/services/the-Council-democracy/corporate-plan

Explanation of Accounting Statements

- **The Statement of Responsibilities for the Statement of Accounts**
  A brief statement of the Council's financial responsibilities and those of the Chief Financial Officer.

- **Core Financial Statements**
  - **Comprehensive Income and Expenditure Statement** shows the income and expenditure in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
  - **Movement in Reserves 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. The (Surplus) or Deficit on the Provision of Services line shows the economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
  - **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 are 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 second category of reserves is those that the Council is not able to use to provide services. This category of reserves 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'.

- **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.

- **Notes to the Core Financial Statements**
  Notes identify the nature and value of various entries within the core statements often providing additional information to aid the understanding of the accounts.
  - **Expenditure and Funding Analysis ('EFA')** 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Supplementary Statements**
  - **Housing Revenue Account ('HRA')**, which is consolidated into the main statements, reports on the Council's activities as a social landlord. The HRA reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure (maintenance and administration) and how these are met by rents, subsidy and other income. From 1st October 2005, maintenance and administration of the Council's dwellings was transferred to St. Leger Homes of Doncaster Limited, an Arms' Length Management Organisation, limited by guarantee and wholly owned by the Council.
  - **Collection Fund** account reports on the collection of local taxes and their distribution. The account reflects the statutory requirement for billing authorities to establish and maintain a separate Collection Fund, which accounts for the income from Council Tax and National Non-Domestic Rates (NNDR). This income finances the net expenditure requirements of the authorities within the Doncaster Council area, including the Council itself, the South Yorkshire Joint Authorities and Parish Councils.

Significant Changes in Accounting Policy

The Council's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting 2016/17. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been no significant changes in accounting policy during 2016/17.

Steve Mawson
Chief Financial Officer
& Assistant Director - Finance

(Section 151 officer)

1st June 2017

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer & Assistant Director - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Cllr Austen White
Chair of Audit Committee

The Chief Financial Officer & Assistant Director - Finance Responsibilities

The Chief Financial Officer & Assistant Director - Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, the Code.

In preparing this Statement of Accounts, the Chief Financial Officer & Assistant Director - Finance has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2017.

Steve Mawson
Chief Financial Officer
& Assistant Director - Finance

(Section 151 officer)

Expenditure and Funding Analysis

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
88,761	8,828	97,589	Adults, Health & Wellbeing	74,258	4,850	79,108
34,173	10,671	44,844	Council Wide Budgets	30,665	(16,277)	14,388
19,668	(12,388)	7,280	Finance & Corporate Services	19,853	(11,821)	8,032
46,673	12,743	59,416	Learning & Opportunities: Children & Young People	52,991	31,131	84,122
41,845	10,852	52,697	Regeneration & Environment	40,359	17,029	57,388
(21,846)	2,399	(19,447)	Housing Revenue Account	(20,588)	(151,614)	(172,202)
209,274	**33,105**	**242,379**	**Net Cost of Services**	**197,538**	**(126,702)**	**70,836**
2,401	23,689	26,090	Other Operating Expenditure	1,671	24,759	26,430
21,304	8,432	29,736	Financing and Investment Income and Expenditure	24,916	10,711	35,627
(223,593)	(53,082)	(276,675)	Taxation and Non-specific Grant income	(218,432)	(45,789)	(264,221)
9,386	**12,144**	**21,530**	**(Surplus) or deficit**	**5,693**	**(137,021)**	**(131,328)**
(85,791)			**Opening General Fund and HRA Balance**	**(76,405)**		
9,386			**Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year**	**5,693**		
(76,405)			**Closing General Fund and HRA Balance at 31 March***	**(70,712)**		

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

The Core Financial Statements

Comprehensive Income and Expenditure Statement

2015/16				2016/17		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
160,332	(62,743)	97,589	Adults, Health & Wellbeing	154,638	(75,530)	79,108
49,034	(4,190)	44,844	Council Wide Budgets	14,846	(458)	14,388
108,849	(101,569)	7,280	Finance & Corporate Services	107,243	(99,211)	8,032
213,257	(153,841)	59,416	Learning & Opportunities: Children & Young People	233,751	(149,629)	84,122
71,871	(19,174)	52,697	Regeneration & Environment	80,218	(22,830)	57,388
57,233	(76,680)	(19,447)	Housing Revenue Account	(95,659)	(76,543)	(172,202)
660,576	**(418,197)**	**242,379**	**Net Cost of Services**	**495,037**	**(424,201)**	**70,836**
2,169	0	2,169	Parish Council Precepts	1,952	0	1,952
2,231	0	2,231	Payments to the Government Housing Capital Receipts Pool	2,491	0	2,491
21,690	0	21,690	(Gains) / Losses on the disposal of non-current assets	21,987	0	21,987
26,090	**0**	**26,090**	**Other operating expenditure**	**26,430**	**0**	**26,430**
20,870	0	20,870	Interest payable & similar charges	21,745	0	21,745
12,213	0	12,213	Pensions interest cost & expected return on pensions Assets	12,238	0	12,238
0	(1,674)	(1,674)	Interest receivable & similar income	0	(1,613)	(1,613)
5	(604)	(599)	Income & expenditure in relation to investment properties & changes in their fair value	5,320	(177)	5,143
22,237	(23,311)	(1,074)	(Surplus) / Deficit on Trading Undertakings not in Net Cost of Services (Note 28)	13,147	(15,033)	(1,886)
55,325	**(25,589)**	**29,736**	**Financing and investment income and expenditure**	**52,450**	**(16,823)**	**35,627**
0	(91,038)	(91,038)	Council tax income	0	(96,448)	(96,448)
0	(46,372)	(46,372)	Non domestic rates redistribution	0	(46,574)	(46,574)
0	(97,218)	(97,218)	Non-ring fenced Government grants (Note 34)	0	(85,297)	(85,297)
0	(42,047)	(42,047)	Capital grants and contributions (Note 34)	0	(35,902)	(35,902)
0	**(276,675)**	**(276,675)**	**Taxation and non-specific grant income**	**0**	**(264,221)**	**(264,221)**
741,991	**(720,461)**	**21,530**	**(Surplus) / Deficit on Provision of Services**	**573,917**	**(705,245)**	**(131,328)**
		(38,102)	(Surplus) / Deficit on revaluation of non-current assets (Note 24a)			(30,693)
		(51,409)	Actuarial (gains) / losses on pension assets / liabilities (Note 24d)			137,255
		0	(Surplus) / Deficit on revaluation of available for sale financial assets (Note 24i)			(33)
		(89,511)	**Other Comprehensive Income and Expenditure**			**106,529**
		(67,981)	**Total Comprehensive Income and Expenditure**			**(24,799)**

Movement in Reserves Statement

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 24) £'000	Total Council Reserves £'000
Balance at 31st March 2016 brought forward	**(69,545)**	**(6,860)**	**(12,502)**	**(3,561)**	**(8,917)**	**(101,385)**	**(478,566)**	**(579,951)**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	21,073	(152,401)	0	0	0	**(131,328)**	**106,529**	**(24,799)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(16,904)	154,018	1,309	(191)	(2,852)	**135,380**	**(135,380)**	**0**
Other Adjustments	(93)	0	0	0	93	**0**	**0**	**0**
(Increase) / Decrease in 2016/17	**4,076**	**1,617**	**1,309**	**(191)**	**(2,759)**	**4,052**	**(28,851)**	**(24,799)**
Balance at 31st March 2017 carried forward	**(65,469)**	**(5,243)**	**(11,193)**	**(3,752)**	**(11,676)**	**(97,333)**	**(507,417)**	**(604,750)**

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 24) £'000	Total Council Reserves £'000
Balance at 31st March 2015 brought forward	**(79,664)**	**(6,127)**	**(10,023)**	**(11,128)**	**(12,487)**	**(119,429)**	**(392,541)**	**(511,970)**
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure	**17,684**	**3,846**	**0**	**0**	**0**	**21,530**	**(89,511)**	**(67,981)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(7,433)	(4,579)	(2,479)	7,567	3,438	**(3,486)**	**3,486**	**0**
Other Adjustments	(132)	0	0	0	132	**0**	**0**	**0**
(Increase) / Decrease in 2015/16	**10,119**	**(733)**	**(2,479)**	**7,567**	**3,570**	**18,044**	**(86,025)**	**(67,981)**
Balance at 31st March 2016 carried forward	**(69,545)**	**(6,860)**	**(12,502)**	**(3,561)**	**(8,917)**	**(101,385)**	**(478,566)**	**(579,951)**

Balance Sheet

31st March 2016			Notes	31st March 2017	
£'000	£'000			£'000	£'000
1,382,776		Property, Plant & Equipment	12	1,552,823	
10,258		Heritage Assets	13	10,163	
9,031		Investment Property	14	3,725	
3,831		Intangible Assets	15	4,311	
2,800		Long Term Investments	16	7,838	
7,744		Long Term Debtors	16	7,605	
	1,416,440	**Long Term Assets**			**1,586,465**
807		Current Intangible Assets		540	
25,029		Short Term Investments	16	17,124	
6,000		Assets Held for Sale	20	1,500	
2,644		Inventories	17	1,590	
73,682		Short Term Debtors	18	80,834	
16,925		Cash & Cash Equivalents	19	6,529	
	125,087	**Current Assets**			**108,117**
(12,781)		Cash & Cash Equivalents	19	(15,372)	
(38,284)		Short Term Borrowing	16	(22,100)	
(45,606)		Short Term Creditors	21	(43,772)	
(1,202)		Provisions	22	(954)	
(8,897)		Revenue Grants Receipts in Advance	34	(1,921)	
(699)		Capital Grants Receipts in Advance	34	(3,851)	
	(107,469)	**Current Liabilities**			**(87,970)**
(18,718)		Provisions	22	(14,544)	
(410,959)		Long Term Borrowing	16	(428,911)	
(60,501)		Deferred Liabilities	16, 44	(56,760)	
(2,707)		Capital Grants Receipts in Advance	34	(2,137)	
(361,222)		Liability related to defined benefit pension scheme	40	(499,510)	
	(854,107)	**Long Term Liabilities**			**(1,001,862)**
	579,951	**Net Assets**			**604,750**
101,385		Usable Reserves		97,333	
478,566		Unusable Reserves	24	507,417	
	579,951	**Total Reserves**			**604,750**

This balance sheet was completed and authorised for issue on 1st June 2017, the date to which events after the balance sheet date have been considered.

These accounts present fairly the financial position of Doncaster Metropolitan Borough Council as at 31st March 2017.

Steve Mawson
Chief Financial Officer
& Assistant Director - Finance

(Section 151 officer)

1st June 2017

Cash Flow Statement

31st March 2016 £'000		**31st March 2017 £'000**
(21,530)	Net surplus or (deficit) on the provision of services	131,328
110,229	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 25)**	(67,304)
(44,338)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities **(Note 25)**	(46,220)
44,361	**Net cash flows from Operating Activities**	**17,804**
(49,959)	**Investing Activities (Note 26)**	**(27,995)**
5,968	**Financing Activities (Note 27)**	**(2,796)**
370	Net increase or (decrease) in cash and cash equivalents	(12,987)
3,774	Cash and cash equivalents at the beginning of the reporting period	4,144
4,144	**Cash and cash equivalents at the end of the reporting period (see Note 19)**	**(8,843)**

Notes to the Core Financial Statements

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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 measure reliably 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 in 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.

Acquired and Discontinued Operations

Operations that have been acquired or discontinued are shown in the relevant year alongside the nature of the acquired or discontinued operation and details of any outstanding liabilities in respect of discontinued operations.

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. Cash equivalents are highly liquid investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents include bank overdrafts that are an integral part of the Council's cash management. Investments or loans with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

In the Cash Flow Statement and Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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 non-current 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. In accordance with the item 8 determination revaluation and impairment losses relating to non-dwelling HRA assets will no longer be reversed;
- 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 with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Minimum Revenue Provision (MRP) is calculated using the Annuity method. The Annuity method produces a profile of MRP repayments that starts low and increases each year.

Collection Fund

The Collection Fund is an agent’s statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local Government bodies and the Government. The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund. Collection Fund surpluses declared by the billing authority are apportioned to the relevant precepting bodies in subsequent financial years. Deficits likewise are proportionately charged to the relevant precepting bodies in the following years.

Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year due to the Council. This includes the Council’s share of surpluses and deficits on the fund. Regulations specify that sums to be released from the Collection Fund to the General Fund should be the Council’s precept plus any share of the previous year’s surplus or deficit. Any difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

Debtor and creditor balances relating to individual taxpayers are apportioned between all preceptors and only the Council’s share of these are recognised on the Balance Sheet. Any difference between cash collected on behalf of other preceptors and cash paid over to them is included as a creditor (where more cash has been collected than paid over) or a debtor. The Cash Flow Statement includes as operating activities only the Council’s share of Council Tax and NNDR collected from taxpayers in the year and the net cost of pursuing Council Tax and NNDR arrears. As cash is collected as agent on behalf of other preceptors, monies (precepts) paid over to them are not revenue activities of the Council and are excluded from operating activities. Cash held as agent, being the difference between other preceptors’ cash collected and paid over, is included in other receipts/payments within financing activities.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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 in the Balance Sheet but disclosed in a note to the accounts.

Employee Benefits

- Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly 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 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 made at 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 or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday entitlements 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 and are charged on an accruals basis to Council Wide Budgets line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council 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 three separate pension schemes: -

  - The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
  - The Local Government Pensions Scheme, administered by South Yorkshire Pension Authority;
  - The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of NHS organisations.

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

The arrangements for the Teachers' Pensions Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Learning & Opportunities: Children & Young People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Adults, Health & Wellbeing line is charged with the employer's contributions payable to the NHS pensions in year.

- The Local Government Pension Scheme

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

- The liabilities of the South Yorkshire Pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6%. Details of the rates used and assumptions made are included in Note 40 to the core financial statements;
- The assets of South Yorkshire Pension fund attributable to the Council are included in 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 to Council Wide Budgets.
    - **net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council** – 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.

    Remeasurements 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 South Yorkshire 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 transfers 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 earned by employees.

- Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. The Council's current policy is not to award enhancements for non-school Council employees, i.e. those who are members of the Local Government Pension Scheme.

Events after the Reporting Period

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: -

1. 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;
2. Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

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: -

a) in the principal market for the asset or liability, or
b) 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 asset 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 or liabilities 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 or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

- Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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 in 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 & Expenditure line in the Comprehensive Income and Expenditure statement in the year of repurchase/settlement. Where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the 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 (FIAA) in the Movement in Reserves Statement.

- Financial Assets

Financial assets are classified into two types: -

1. Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
2. Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

- Loans and Receivables

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

Soft loans are loans issued at less than market rates. When these 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 in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the FIAA in the Movement in Reserves Statement.

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

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

- Available-for-Sale Assets:

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income, e.g. dividends, is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government Grants and 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: -

1. The Council will comply with the conditions attached to the payments; and
2. 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 in the form of 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 in the Balance Sheet as creditors. 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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where 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. Where 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.

Heritage Assets (Tangible and Intangible)

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include Civic Regalia, Exhibits, Statues and Monuments, historic land and buildings, military and scientific equipment, recordings of historically significant events and works of art.

Heritage Assets are recognised on balance sheet at cost or value. Valuations for historic land and buildings have been prepared by in house assets and property valuers over a five year rolling programme. All other categories have been valued by the most appropriate and relevant valuation method including insurance and auction values. They are reviewed annually and updated if more up to date information is available.

There are heritage assets within the Council with an individual value below £10,000 that are not disclosed. The value has been considered to have an immaterial effect and therefore the cost of valuing these assets would again outweigh any benefit.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment. Disposal of heritage assets are accounted for in exactly the same way as for Property Plant and Equipment.

Depreciation is not required to be charged on heritage assets as, by nature, they will be preserved for future generations however, some of the buildings within the category of historic land and buildings are still depreciated as determinable lives have been estimated by the internal valuers. These asset lives are reviewed in line with the revaluation programme.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council 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 Council’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 Council can be determined by reference to an active market. No intangible asset held by the Council meets this criterion and therefore all such assets are carried at amortised cost. The depreciable amounts for intangible asset is amortised over its useful lives 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 assets 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 and 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 the Capital Receipts Reserve (for any sale proceeds greater than £10,000).

Interest in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures. Group Accounts are prepared where these interests are material.

Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First-In-First-Out (FIFO) costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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 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.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially 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 assets estimated useful life.

  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 service benefitting from the use of the leases Property, Plant or Equipment. Charges are made on a straight line basis over the life of the asset even if this does not match the pattern of cash 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 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure statement as part of the profit or loss on disposal, i.e. netted off against the carrying value of the asset at the time of disposal, matched by a long term lease debtor in the Balance Sheet for the capital value outstanding.

Lease rentals receivable are apportioned between: -

- A charge for the acquisition of the interest in the property – applied to write down the long term debtor; 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 of 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 non-current 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 leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in 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 asset, even if this does not match the pattern of payments. 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.

Non-current Assets - Investment Properties

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, being the price that would be received to sell such an asset transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued 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 the Capital Receipts Reserve (for any sale proceeds greater than £10,000).

Non-current Assets - Property, Plant and Equipment

Assets that have physical substance and are held for use in the production 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 costs of the item can be measured reliably. Expenditure that maintains but does not add value or increase an assets potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. The de-minimis value of £100,000 is applied when reviewing revenue spend for capital items.

- Measurement

Assets are initially measured at cost, comprising: -

1. The purchase price;
2. 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 and Expenditure 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 in the Balance Sheet using the following measurement bases: -

1. Infrastructure, community assets and assets under construction – depreciated historical cost;
2. Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
3. Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
4. 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 is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued with sufficient regularity to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains are 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 by: -

1. 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);
2. Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st 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 by: -

1. 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 accumulated gains);
2. 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 in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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 useful life, e.g. freehold land and certain community assets and assets that are not yet available for use, i.e. assets under construction.

Depreciation is calculated on the following bases: -

Asset Category	Useful Life
Other Land & Building	Dependent upon the asset concerned
Vehicles, Plant & Equipment	3 - 20 years, dependent upon the asset
Infrastructure	40 years
Intangible e.g. surveys	Dependent upon the asset concerned
Council dwellings	Having considered the policy for depreciation of Council dwellings the Council has decided to continue with its policy of using the Major Repairs Allowance (MRA) as a proxy depreciation charge

Assets in the course of construction are not depreciated until they are brought into use.

For Property, Plant & Equipment, other than non-depreciable land, non-operational investment properties and assets held for sale, the only ground for not charging depreciation is that the charge would be immaterial.

Depreciation is calculated using the straight-line method.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on 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 revalued 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 only recognised up to the amount of any previous losses recognised in the Surplus or 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, amortisations 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 classified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset 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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory allowances) is payable to the Government. Up to 4% of the balance of receipts can be used to fund revenue expenditure. The balance of receipts is required to be credited to the Capital Receipts Reserve and then can only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). 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.

- Enhancement Expenditure and De-recognition of replaced part of an asset

Enhancement expenditure on Property, Plant & Equipment increases both the historic cost and carrying amount records. The enhancement expenditure could be in relation to one component, multiple components or for a single asset that has not been componentised.

The carrying amount of a replaced or restored part of the asset is de-recognised, with the carrying amount of the new component being recognised subject to the capital recognition principles being met.

This recognition and de-recognition takes place regardless of whether the replaced part had been depreciated separately, where it is not practicable to determine the carrying amount of the replaced part the cost of the new part is used as a proxy for the calculation of the old element to be de-recognised (adjustments for depreciation and impairment, are made if required).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £0.5million for determining whether an asset needs to be componentised. This has been set at a level below which the componentisation of an asset would have an insignificant impact upon the level of depreciation charged in the Comprehensive Income and Expenditure Statement.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

Prior period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct material errors. 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 (unless otherwise stated) 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.

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 re-valued 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 –** Recognised as additions to Property, Plant and Equipment in the Balance Sheet as the scheduled works are carried out and the expenditure is incurred.

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.

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 in 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, income is only recognised for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy however, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

Reserves

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

Specific reserves are available to fund capital or revenue expenditure following approval by Cabinet.

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.

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 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.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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.

2 Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Council shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the Council's financial statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1st January of the financial year in question (i.e. on or before 1st January 2017 for 2016/17). For this disclosure the proposals for change include: -

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

These are not expected to have a material impact on the Council's statement of accounts.

3 Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are: -

Central Government Funding

There is a high degree of uncertainty about future levels of funding for local Government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision other than those already earmarked for closure as part of budget delivery plans.

Accounting for non-current schools' assets

The Council has made the following judgements regarding the accounting treatment of the differing types of schools;

- **Community schools** are run by the local authority, which employs the staff, owns the land and buildings and decides which admission criteria to use. The land and buildings of these schools are accounted for on the Council's balance sheet.

- **Trust schools** are a type of foundation school which forms a charitable trust with an outside partner. They are run by their own governing body, which employs the staff and sets the admission criteria. Land and buildings are transferred out of local authority ownership upon transfer to trust status. These schools are not accounted for on the Council's balance sheet and the assets are treated as a disposal upon transfer to trust status.
- **Voluntary-aided schools** are mainly religious or 'faith' schools and as with foundation schools, the governing body employs the staff and sets the admissions criteria. The school buildings are not accounted for on the Council's balance sheet although the land is.
- **Voluntary-controlled schools** are similar to voluntary aided schools but are run by the local authority. As with community schools, the local authority employs the school's staff and sets the admission criteria. The land and buildings of these schools are accounted for on the Council's balance sheet.
- **Academies** are independently managed, all-ability schools. They are set up by sponsors from business, faith or voluntary groups in partnership with the Department for Education and the Council. Together they fund the land and buildings, with the Government covering the running costs. The land and buildings are usually leased to the academy on a long term lease. The lease terms are reviewed on transfer to determine whether they represent finance or operating lease. Schools which are leased on a finance lease are treated as disposals. The buildings are not included on the Council's balance sheet but the land remains on the balance sheet at a nominal value. Schools which are issued on an operating lease are revalued in the year of transfer.

Group Accounts

The Council has reviewed its relationship and interest with external organisations and concludes that it does have an interest in subsidiaries, associated companies and joint ventures that are material both individually and in aggregate and therefore a set of Group Accounts has been prepared. This consideration has been made under the provisions of IFRS 10 ('Consolidated Financial Statements') and IFRS 11 ('Joint Arrangements') as required by the Code.

Property, Plant and Equipment valuations

The Code of Practice has clarified the requirements for valuing Property, Plant and Equipment and states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31st March 2017 the Council, for assets not valued in the year, has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end valuation report provided by the Council's qualified valuers that provides assurance that valuations are materially correct at the balance sheet date.

4 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 or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31st March 2017 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows: -

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment, HRA valuation (Note 12)	The value of the Council's housing dwellings stock is calculated using beacon properties. These valuations are then adjusted for the vacant possession value for the properties and to reflect their occupation by a secure tenant. This adjustment is considered to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors. The adjustment factor which is applied to the total vacant possession valuation (based on the beacon valuation) is for local authorities to determine seeking appropriate professional advice where applicable.	The fair value of the Council's housing dwellings stock as at the 31st March 2017 has been determined using an adjustment factor of 41%. A 1% decrease in this adjustment factor would have resulted in a revaluation loss of £15.711m in 2016/17.
Defined Benefit Pension Schemes Liabilities (Note 40)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries, are engaged to provide the Council with expert advice about the assumptions to be applied.	The net pension liability which the Council has in the long run is estimated to be £499.510m (£361.222m as at 31st March 2016). A 0.1% increase in the discount rate assumption would result in a decrease in the pensions' liability of £31.508m. A 0.1% increase in the inflation rate assumption would result in an increase in the pensions' liability of £32.152m. Similarly, a one year addition to members' life expectancy as at 31st March 2017 would result in an increase in the pensions' liability of £31.007m.
Fair Value Measurements **Investment Properties (Note 14)** **Financial Instruments (Note 16)**	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 relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).	The Council uses indexation techniques and beacon valuations to measure the fair value of some of its investment properties and financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets and liabilities), beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets and liabilities.

5 Material Items of Income and Expense

In respect of the Housing Revenue Account, the regional adjustment factor, applied to ascertain the value of social housing stock, has increased to 41% compared to 31% which was used last year.

This has meant all social housing stock has had a revaluation gain in year causing a material value of previous impairment losses to be reversed (£153.9m – see Note 12).

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer & Assistant Director - Finance on 1st June 2017. 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 31st March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council has not identified any post Balance Sheet events as at 1st June 2017.

7 Note to the Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis			
				2016/17
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	(Note 1)	**(Note 2)**	**(Note 3)**	
	£'000	**£'000**	**£'000**	**£'000**
Adults, Health & Wellbeing	(2,554)	(279)	7,683	4,850
Council Wide Budgets	4,639	(20,916)	0	(16,277)
Finance & Corporate Services	1,174	(210)	(12,785)	(11,821)
Learning & Opportunities: Children & Young People	25,684	(485)	5,932	31,131
Regeneration & Environment	17,488	(412)	(47)	17,029
Housing Revenue Account	(151,614)	0	0	(151,614)
Net Cost of Services	**(105,183)**	**(22,302)**	**783**	**(126,702)**
Other income and expenditure from the Expenditure and Funding Analysis	**(24,564)**	**12,130**	**2,115**	**(10,319)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(129,747)**	**(10,172)**	**2,898**	**(137,021)**

	Adjustments between Funding and Accounting Basis			
				2015/16
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	(Note 1)	**(Note 2)**	**(Note 3)**	
	£'000	**£'000**	**£'000**	**£'000**
Adults, Health & Wellbeing	4,219	(2,576)	7,185	8,828
Council Wide Budgets	2,544	9,942	(1,815)	10,671
Finance & Corporate Services	980	(1,705)	(11,663)	(12,388)
Learning & Opportunities: Children & Young People	12,525	(3,257)	3,475	12,743
Regeneration & Environment	13,691	(2,393)	(446)	10,852
Housing Revenue Account	2,399	0	0	2,399
Net Cost of Services	**36,358**	**11**	**(3,264)**	**33,105**
Other income and expenditure from the Expenditure and Funding Analysis	**(34,011)**	**13,275**	**(225)**	**(20,961)**

Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**2,347**	**13,286**	**(3,489)**	**12,144**

Note 1 Adjustment for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and 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.

Note 2 Net Change for Pension Adjustments

Net change 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 Council 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.

Note 3 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 NDR 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.
- For **services** this represents the allocation of charges for services that support the provision of services to the public, e.g. Finance, I.T., Human Resources, Legal Services etc. as required by SeRCOP.

8 Segmental Income

Income received on a segmental basis is analysed below: -

	2015/16	2016/17
Services	Fees, charges and other service income	Fees, charges and other service income
	£'000	£'000
Adults, Health & Wellbeing	(24,829)	(27,640)
Council Wide Budgets	(2,616)	(267)
Finance & Corporate Services	(4,464)	(4,722)
Learning & Opportunities: Children & Young People	(7,178)	(7,958)
Regeneration & Environment	(18,764)	(15,287)
Housing Revenue Account	(74,867)	(76,543)
Total Fees, charges and other service income analysed on a segmental basis	**(132,718)**	**(132,417)**

The amounts in the table differ from the Fees, charges and other service income in Note 9 due to income relating to Trading Operations of £14.983m (£22.072m in 2015/16).

9 Expenditure and Income Analysed by Nature

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

	2015/16 £'000	2016/17 £'000
Expenditure / Income		
Expenditure		
Employee benefits expenses	222,749	196,603
Other services expenses	358,661	361,082
Support service recharges	43,537	39,466
Depreciation, amortisation, impairment	57,871	(83,647)
Interest payments	33,083	33,983
Precepts and levies	2,169	1,952
Payments to Housing Capital Receipts Pool	2,231	2,491
Gain on the disposal of assets	21,690	21,987
Total expenditure	**741,991**	**573,917**
Income		
Fees, charges and other service income	(154,790)	(147,400)
Interest and investment income	(2,278)	(1,790)
Income from Council tax and non-domestic rates	(137,410)	(143,022)
Government grants and contributions	(425,983)	(413,033)
Total income	**(720,461)**	**(705,245)**
Surplus or Deficit on the Provision of Services	**21,530**	**(131,328)**

10 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. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

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.

Major Repairs Reserve

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

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.

Capital Grants Unapplied

The Capital Grants Unapplied Account (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.

	Usable Reserves				
2016/17	**General Fund Balance £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	10,172	0	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	202	0	0	0	0
Council tax & NNDR (transfers to (or from) Collection Fund)	(859)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(2,241)	0	0	0	0
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	4	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(40,365)	113,278	0	0	0
Total Adjustments to Revenue Resources	**(33,087)**	**113,278**	**0**	**0**	**0**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,670	7,701	(10,371)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(281)	281	0	0
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,491)	0	2,491	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	22,387	0	(22,387)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,282	0	0	0	0
Former SYCC debt	1,626	0	0	0	0
PFI Finance Lease - principal repayment	2,093	0	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,648	10,748	0	0	0
Total Adjustments between Revenue and Capital Resources	**8,828**	**40,555**	**(7,599)**	**(22,387)**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	8,910	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	22,196	0

	Usable Reserves				
2016/17	**General Fund Balance £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**
Application of capital grants to finance capital expenditure	0	0	0	0	4,692
Cash payments in relation to deferred capital receipts	0	0	(6)	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,359	185	0	0	(7,544)
Use of Capital Receipts Reserve to finance provision	(4)	0	4	0	0
Total Adjustments to Capital Resources	**7,355**	**185**	**8,908**	**22,196**	**(2,852)**
Total Adjustments	**(16,904)**	**154,018**	**1,309**	**(191)**	**(2,852)**

	Usable Reserves				
2015/16	**General Fund Balance £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(13,286)	0	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	214	2	0	0	0
Council tax & NNDR (transfers to (or from) Collection Fund)	1,460	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	1,815	0	0	0	0
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	34	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,916)	(40,433)	0	0	0
Total Adjustments to Revenue Resources	**(21,679)**	**(40,431)**	**0**	**0**	**0**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,789	4,875	(10,664)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(231)	(146)	377	0	0
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,231)	0	2,231	0	0

2015/16	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Posting of HRA resources from revenue to the Major Repairs Reserve	0	21,531	0	(21,531)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	191	0	0	0	0
Former SYCC debt	1,478	0	0	0	0
PFI Finance Lease - principal repayment	1,823	0	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,928	9,575	0	0	0
Total Adjustments between Revenue and Capital Resources	**10,747**	**35,835**	**(8,056)**	**(21,531)**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	5,548	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	29,098	0
Application of capital grants to finance capital expenditure	0	0	0	0	6,988
Cash payments in relation to deferred capital receipts	0	0	(5)	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,533	17	0	0	(3,550)
Use of Capital Receipts Reserve to finance provision	(34)	0	34	0	0
Total Adjustments to Capital Resources	**3,499**	**17**	**5,577**	**29,098**	**3,438**
Total Adjustments	**(7,433)**	**(4,579)**	**(2,479)**	**7,567**	**3,438**

11 Movements in Earmarked Reserves

	Balance at 31st March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31st March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31st March 2017
General Fund:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Service Transformation Fund	6,441	(3,273)	3,723	6,891	(4,907)	9,147	11,131
Balances held by schools under a scheme of delegation	14,333	(2,320)	45	12,058	(3,470)	34	8,622
Health & Social Care Transformation Fund	1,792	(823)	0	969	(79)	7,630	8,520
Severance costs	5,286	(5,618)	2,172	1,840	(4,986)	8,192	5,046
NNDR - Contingency against Risks and Volatility	1,459	0	705	2,164	0	747	2,911
Adult Social Care Contracts	0	0	0	0	0	1,545	1,545
New NNDR Incentive Scheme	500	(41)	1,000	1,459	(85)	0	1,374
Stronger Families Programme	1,337	(198)	0	1,139	(43)	119	1,215
Section 278 Agreements	933	(43)	0	890	(21)	335	1,204
S106 Agreements	992	(159)	191	1,024	(184)	202	1,042
Civic Office Major Items Replacement	596	0	195	791	0	175	966
Revenue contribution to the capital programme	1,501	(28)	0	1,473	(548)	0	925
Investment & Modernisation Fund - Revenue	910	0	0	910	0	0	910
Public Health	2,236	(1,464)	264	1,036	(261)	0	775
Other	20,661	(4,841)	2,669	17,788	(14,491)	1,159	4,456
Total	**58,977**	**(18,808)**	**10,964**	**50,432**	**(29,075)**	**29,285**	**50,642**

Service Transformation Fund
This reserve was established for Service Transformation. It will be used to help DMBC achieve its savings targets in a timely and well managed way.

Balances held by schools under a scheme of delegation
This reserve represents balances held by schools under delegated schemes and the Dedicated Schools Grant (DSG) underspend. The Scheme of Financing Schools, prepared in accordance with the School Standards and Framework Act 1998, provides that under-spending and over-spending will accrue to the school and be added to any balance brought forward from a previous year and as a consequence balances from school budgets have been built up over many years. The DSG conditions of grant provide that any underspend on DSG must be carried forward to support the schools budget in the future years in line with the Schools and Early Years Finance (England) Regulations.

Health & Social Care Transformation Fund
This reserve will be used to support the Adult Social Care and Health transformation and deliver work on the Doncaster Place Plan. The aim is to further develop out of hospital services and to foster community resilience, so that we can better support people and families, provide services.

Severance costs
The earmarked reserve is being used to fund the redundancy and retirement costs for post reductions in subsequent years. The remaining balance will be used to fund retirement and redundancy costs in 2017/18.

NNDR - Contingency against Risks and Volatility
This reserve was created to provide a contingency against the considerable increase in uncertainty to the Council's core funding arising from the introduction of Business Rates Retention from 1st April 2013.

Adult Social Care Contracts
The money has been set aside to meet Adult Social Care expenditure in 2017/18, including domicillary care and Learning Disability support contracts and development of the Intermediate Care agenda.

New NNDR Incentive Scheme
Fund to facilitate incentives to potential investors where there is a clear demonstration that it would lead to a sustainable and substantial contribution to economic growth within the borough. Most of this fund has been allocated.

Stronger Families Programme
The Council and its partners have developed a Stronger Families programme in line with the Government's initiative, to provide an integrated approach to supporting families with additional needs. A significant element of the funding is performance based, and as such the level of funding is difficult to forecast. DMBC have been awarded the phase 2 Troubled Families grant from 2015/16 for the new expanded five year programme but exact funding for each year of the programme is confirmed annually. Funds are drawn down from or added to the earmarked reserve to meet the in-year costs of delivering the programme.

Section 278 agreements
Section 278 of The Highways Act 1980 allows the Council to receive payment from developers prior to the work being carried out to improve highways. The substantial part of the balance is to be spent on the Frenchgate interchange over its lifetime.

Section 106 agreements
Section 106 of the Town and Country Planning Act 1990 allows developers to make payments to the Council in lieu of their planning obligations. This balance represents money paid by developers that is to be used to fund revenue expenditure in the future.

Civic Office Major Items Replacement
The reserve is to be used for major items replacement for the Civic Office. A planned programme has been drawn up and includes, for example, £1.1m in 2022/23 for electrical installations. The reserve is added to each year from an annual revenue budget.

Revenue Contribution to the Capital Programme
This reserve was created to meet the revenue costs associated with major capital projects - for example the work required to produce bids to the Sheffield City Region Infrastructure Fund. Projects that will benefit from the reserve include the National College for High Speed Rail and Property Investment programme.

Investment & Modernisation Fund – Revenue
This revenue reserve was established to support the revenue elements of the Investment & Modernisation Fund.

Public Health
The responsibility for the Public Health service transferred to the Council on the 1st April 2013, with the service funded from a Department of Health ring-fenced grant. This reserve has been created as a prudent measure to meet any unforeseen costs associated with the service. The service has significant savings targets and this reserve will be used to manage the implementation of the service changes required.

Others
A number of other minor reserves are earmarked for specific purposes.

12 Property, Plant and Equipment

Movements in 2016/17

2016/17									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2016	**508,920**	**617,867**	**43,852**	**296,991**	**3,379**	**59,731**	**6,942**	**1,537,682**	**25,930**
Additions	24,026	10,830	3,837	14,184	222	2,573	27,065	**82,737**	0
Donation	0	0	0	52	0	0	0	**52**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(19,076)	(62)	0	0	1,717	19,019	0	**1,598**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	153,910	(16,326)	0	0	(149)	(2,617)	0	**134,818**	(275)
De-recognition – disposals	(5,996)	(3,652)	(183)	0	(7)	(4,291)	0	**(14,129)**	0
De-recognition – other	(6,765)	(1,676)	(3,811)	(2,851)	(29)	0	0	**(15,132)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(1,500)	0	**(1,500)**	0
Reclassification within PPE	13,079	(73)	530	(1,650)	1,036	(4,576)	(8,346)	**0**	0
At 31st March 2017	**668,098**	**606,908**	**44,225**	**306,726**	**6,169**	**68,339**	**25,661**	**1,726,126**	**25,655**
Accumulated Depreciation & Impairment									
At 1st April 2016	**(21,608)**	**(45,573)**	**(20,245)**	**(66,804)**	**(229)**	**(447)**	**0**	**(154,906)**	**0**
Depreciation charge	(21,421)	(14,803)	(3,718)	(5,967)	(50)	(61)	0	(46,020)	(849)
Depreciation & Impairment written out to the Revaluation Reserve	21,608	6,872	0	0	49	338	0	**28,867**	0
impairment losses / (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(1,964)	(631)	0	(149)	0	(1,428)	(88)	**(4,260)**	0
De-recognition – disposals	0	404	145	0	0	0	0	**549**	0
De-recognition – other	0	0	2,467	0	0	0	0	**2,467**	0
Reclassification within PPE	(105)	14	(329)	438	(106)	13	75	**0**	0
At 31st March 2017	**(23,490)**	**(53,717)**	**(21,680)**	**(72,482)**	**(336)**	**(1,585)**	**(13)**	**(173,303)**	**(849)**
Net Book Value									
At 31st March 2017	**644,608**	**553,191**	**22,545**	**234,244**	**5,833**	**66,754**	**25,648**	**1,552,823**	**24,806**
At 31st March 2016	**487,312**	**572,294**	**23,607**	**230,187**	**3,150**	**59,284**	**6,942**	**1,382,776**	**25,930**

Comparative Movements in 2015/16

2015/16									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2015	**509,735**	**574,120**	**37,200**	**222,675**	**3,357**	**71,361**	**56,398**	**1,474,846**	**0**
Opening balances restatement	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**197**
At 1st April 2015 adjusted	**509,735**	**574,120**	**37,200**	**222,675**	**3,357**	**71,361**	**56,398**	**1,474,846**	**197**
Additions	34,636	34,723	9,344	12,337	113	49	28,447	**119,649**	25,733
Donation	0	1,874	0	0	0	0	0	**1,874**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(14,905)	12,638	0	0	(6)	(9,302)	543	**(11,032)**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,213)	(2,033)	0	0	(75)	(3,319)	(3,489)	**(16,129)**	0
De-recognition – disposals	(3,075)	(5,440)	(276)	0	0	(3,179)	0	**(11,970)**	0
De-recognition – other	(10,461)	(1,772)	(2,416)	(4,241)	(3)	0	0	**(18,893)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(9,300)	0	**(9,300)**	0
Assets reclassified (to)/from Investment	0	0	0	0	0	8,700	0	**8,700**	0
Assets reclassified (to)/from Intangible	0	0	0	(63)	0	0	0	**(63)**	0
Reclassification within PPE	203	3,757	0	66,283	(7)	4,721	(74,957)	**0**	0
At 31st March 2016	**508,920**	**617,867**	**43,852**	**296,991**	**3,379**	**59,731**	**6,942**	**1,537,682**	**25,930**
Accumulated Depreciation & Impairment									
At 1st April 2015	**(21,123)**	**(54,259)**	**(18,493)**	**(61,155)**	**(188)**	**(9,913)**	**0**	**(165,131)**	**0**
Depreciation charge	(20,751)	(16,205)	(3,028)	(5,637)	(41)	(31)	0	(45,693)	0
Depreciation & Impairment written out to the Revaluation Reserve	14,955	24,268	0	0	0	9,913	0	**49,136**	0
Depreciation & Impairment written out to the Surplus/Deficit on the Provision of Services	6,168	0	0	0	0	0	0	**6,168**	0
impairment losses / (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(852)	(515)	0	(12)	0	(49)	0	**(1,428)**	0
De-recognition – disposals	0	762	271	0	0	4	0	**1,037**	0
De-recognition – other	0	0	1,005	0	0	0	0	**1,005**	0
Reclassification within PPE	(5)	376	0	0	0	(371)	0	**0**	0
At 31st March 2016	**(21,608)**	**(45,573)**	**(20,245)**	**(66,804)**	**(229)**	**(447)**	**0**	**(154,906)**	**0**
Net Book Value									
At 31st March 2016	**487,312**	**572,294**	**23,607**	**230,187**	**3,150**	**59,284**	**6,942**	**1,382,776**	**25,930**
At 31st March 2015	**488,612**	**519,861**	**18,707**	**161,520**	**3,169**	**61,448**	**56,398**	**1,309,715**	**0**

Depreciation is provided for on all Property, Plant & Equipment with a finite useful life according to the accounting policy detailed in Note 1

Capital Commitments

At 31st March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £18.864m. Similar commitments at 31 March 2016 were £16.784m. The major commitments are:

	£'000
Rail College	4,197
Willmott Dixon Bristol Grove	10,621
Willmott Dixon Willow Estate	4,046
Total	**18,864**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The policy is shown under accounting policies in Note 1.

	Council Dwellings	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at Historical Cost	0	0	22,545	234,244	1,707	0	25,648	**284,144**
Valued at Fair Value as at:								
31st March 2017	644,608	90,496	0	0	2,409	17,685	0	**755,198**
31st March 2016	0	189,373	0	0	27	49,069	0	**238,469**
31st March 2015	0	108,902	0	0	937	0	0	**109,839**
31st March 2014	0	53,661	0	0	621	0	0	**54,282**
31st March 2013	0	110,759	0	0	132	0	0	**110,891**
Total Cost or Valuation	**644,608**	**553,191**	**22,545**	**234,244**	**5,833**	**66,754**	**25,648**	**1,552,823**

Fair Value Hierarchy – Surplus Assets

All surplus assets were valued at Level 2 of the fair value hierarchy in 2015/16 and 2016/17.

Valuation Techniques used to Determine Level 2 Fair Values for surplus assets.

Significant Observable Inputs – Level 2

The fair value for the properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

13 Heritage Assets

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

2016/17	**Civic Regalia**	**Exhibits, Statues & Monuments**	**Historic Land & Buildings**	**Military & Scientific Equipment**	**Recording of Historically Significant Events**	**Works of Art**	**Total Assets**
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1st April 2016	**136**	**2,476**	**5,608**	**12**	**44**	**3,084**	**11,360**
Additions	0	0	26	0	0	0	**26**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	141	0	0	0	(12)	**129**
De-recognition	0	0	(14)	0	0	0	**(14)**
At 31st March 2017	**136**	**2,617**	**5,620**	**12**	**44**	**3,072**	**11,501**
Depreciation & Impairment							
At 1st April 2016	**0**	**0**	**(1,088)**	**0**	**0**	**(14)**	**(1,102)**
Depreciation	0	0	(236)	0	0	0	**(236)**
At 31st March 2017	**0**	**0**	**(1,324)**	**0**	**0**	**(14)**	**(1,338)**
Net Book Value At 31st March 2017	**136**	**2,617**	**4,296**	**12**	**44**	**3,058**	**10,163**

2015/16	**Civic Regalia**	**Exhibits, Statues & Monuments**	**Historic Land & Buildings**	**Military & Scientific Equipment**	**Recording of Historically Significant Events**	**Works of Art**	**Total Assets**
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1st April 2015	**136**	**2,451**	**5,742**	**12**	**44**	**3,084**	**11,469**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	25	(50)	0	0	0	**(25)**
Revaluation increases / (decreases) recognised in surplus or deficit on the provision of services	0	0	(84)	0	0	0	**(84)**
At 31st March 2016	**136**	**2,476**	**5,608**	**12**	**44**	**3,084**	**11,360**
Depreciation & Impairment							
At 1st April 2015	**0**	**0**	**(873)**	**0**	**0**	**(14)**	**(887)**
Depreciation	0	0	(236)	0	0	0	**(236)**
Depreciation & Impairment written out to the Revaluation Reserve	0	0	21	0	0	0	**21**
At 31st March 2016	**0**	**0**	**(1,088)**	**0**	**0**	**(14)**	**(1,102)**
Net Book Value At 31st March 2016	**136**	**2,476**	**4,520**	**12**	**44**	**3,070**	**10,258**

Civic Regalia
This is a collection of mayoral ceremonial chains, pendants and robes held at the Mansion House. The assets have been valued, based on insurance valuations as a proxy for open market valuations.

Exhibits, Statues and Monuments
This category includes items of decorative art, pottery and furniture. Decorative Art collection has just under 500 items from the Hull Grundy collection of costume jewellery, treen, textiles, glassware, metalwork (including the Doncaster Gold Cups) and a collection of art medals. Monuments within this category include cemetery and War memorials. The assets have been valued, based on insurance valuations as a proxy for open market valuations.

Historic Land and Buildings
One of the main items held within this category is Cusworth Hall, which is a grade 1 listed building set in acres of historic parkland with lakes and plantations with dramatic views across the town. The site, which was extensively restored between 2003 and 2007, invites visitors to experience a wealth of architecture, heritage and landscape history. Other main items include cemeteries. Valuations for historic land and buildings have been prepared by in house assets and property valuers as part of a five year rolling programme. The Council holds several other listed buildings; however they do not meet the definition of a Heritage asset as they are used as office accommodation and therefore classified as operational land and buildings.

Military and Scientific Equipment
This is a small collection of less than 500 items, concentrating on a small number of specific regiments. The assets have been valued, based on insurance valuations as a proxy for open market valuations.

Recording of Historically Significant events
These include more than a thousand title deeds (including the series of royal charters), the four volumes of the borough courtier (or act book) detailing the Council's decisions from the mid-16th century up to the municipal reforms of the 1830s, records of the manor court of Doncaster from the 1450s, the records of the borough courts from 1533 onwards and accounts of the borough collectors, the chamberlain, and other finance officers from 1551 until the mid-19th century. Recording of Historically Significant events are valued at cost.

Works of Art
There is a small fine art collection of around 1,750 items consisting of oil paintings, watercolours, prints, drawings, sculpture/bronzes and art photographs. The art collection aims to provide visitors with access to a wide variety of artistic styles over the last 250 years. A large section of the prints collection is related to Doncaster, either through portraying Doncaster scenes or horseracing. The assets have been valued, based on insurance valuations as a proxy for open market valuations.

14 Investment Properties

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

	2015/16 £'000	2016/17 £'000
Rental income from investment property	179	177
Direct operating expenses arising from investment property	(5)	(14)
Net gain/(loss)	**174**	**163**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2015/16 £'000	2016/17 £'000
Balance at start of the year	**17,306**	**9,031**
Net gains/(losses) from fair value adjustments	425	(5,306)
Transfers to/from Property, Plant and Equipment	(8,700)	0
Balance at end of the year	**9,031**	**3,725**

Fair Value Hierarchy

All investment properties were valued at Level 2 of the fair value hierarchy. Details as at 31st March 2017 are as follows: -

Recurring fair value measurement using:	Fair Value as at 31 March 2017 £'000
Agricultural Land	1,455
Commercial Unit	792
Industrial Unit	1,478
Total	**3,725**

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

Significant Observable Inputs – Level 2

The fair value for the properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

15 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware, item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The Council does not revalue its software assets as they are currently of immaterial value and have a life of no more than 10 years.

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

	2015/16 £'000	2016/17 £'000
Other Assets		
Balance at start of year		
- Gross carrying amounts	6,268	7,314
- Accumulated amortisation	(3,016)	(3,483)
Net carrying amount at start of year	3,252	3,831
Additions - Purchases	983	1,134
Assets reclassified - GBV	63	0
Amortisation for the period	(467)	(654)
Net carrying amount at end of year	**3,831**	**4,311**
Comprising:		
- Gross carrying amounts	7,314	8,448
- Accumulated amortisation	(3,483)	(4,137)
	3,831	**4,311**

16 Financial Instruments and Nature and Extent of Risks Arising From Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet: -

	Long Term		Current	
	31st March 2016 £'000	**31st March 2017 £'000**	**31st March 2016 £'000**	**31st March 2017 £'000**
Investments				
Loans and receivables	28	5,066	25,029	8,067
Loans and receivables - Cash Equivalents (Note 19)	0	0	16,900	6,500
Available for sale financial assets	0	0	0	9,057
Unquoted equity investment at cost (b)	2,772	2,772	0	0
Total investments	**2,800**	**7,838**	**41,929**	**23,624**
Debtors				
Loans and receivables	7,744	7,605	0	0
Financial assets carried at contract amount (trade debt)	0	0	22,978	22,891
Total Debtors	**7,744**	**7,605**	**22,978**	**22,891**
Borrowings				
Financial liabilities at amortised cost (a)	410,959	428,911	38,284	22,100
Total borrowings	**410,959**	**428,911**	**38,284**	**22,100**
Other Long Term Liabilities				
PFI lease liabilities (Note 38)	52,199	50,247	2,093	1,952
Metropolitan debt (SYCC)	8,302	6,513	1,626	1,789
Total other long term liabilities	**60,501**	**56,760**	**3,719**	**3,741**
Creditors				
Financial liabilities carried at contract amount (trade credit)	0	0	8,323	8,825
Total creditors	**0**	**0**	**8,323**	**8,825**

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

Note b - Shares held by the Council are unquoted and there is no readily available market on which to value them. Whilst there are a variety of methods to value unquoted shares, none of them provide reliable fair values and therefore the shares have not been re-valued and are included in the accounts at open book value.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:-

	2015/16			2016/17			
	Financial Liabilities measured at amortised cost	**Financial Assets Loans and receivables**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	(20,870)	0	**(20,870)**	(21,721)	0	(24)	**(21,745)**
Reductions in fair value	0	0	**0**	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**(20,870)**	**0**	**(20,870)**	**(21,721)**	**0**	**(24)**	**(21,745)**
Interest income	0	1,674	**1,674**	0	1,613	0	**1,613**
Total income in Surplus or Deficit on the Provision of Services	**0**	**1,674**	**1,674**	**0**	**1,613**	**0**	**1,613**
Net gain/(loss) for the year	**(20,870)**	**1,674**	**(19,196)**	**(21,721)**	**1,613**	**(24)**	**(20,132)**

Fair Values of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

In providing their fair value calculations the discount rate used by the PWLB is taken from the 'new borrowing rate' set of rates in force at close of business on the last working day of the financial year.

The fair values calculated are as follows: -

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31st March 2016 £'000**	**As at 31st March 2017 £'000**
Available for Sale:				
Other financial instruments classified as Available for Sale	Level 1	Unadjusted quoted prices in active markets for identical shares (see * below)	0	9,057
Total			**0**	**9,057**

*Other financial Instruments Classified as Available for Sale

The unadjusted quoted prices are based on a valuation provided by our custodian. It includes bid and ask prices that are formed on a 'best efforts' basis using the expertise and experience of their personnel, information and marketing intelligence available to the custodian at the time the valuation is prepared.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: -

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows: -

Financial Liabilities	**31st March 16**		**31st March 17**	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
PWLB debt	306,421	395,163	309,476	438,941
Non-PWLB debt	142,822	161,342	141,535	166,448
Total Liabilities	**449,243**	**556,505**	**451,011**	**605,389**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2017) arising from a commitment to pay interest to lenders above current market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the reduced interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £309.476m would be valued at £531.948m but, if the authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £529.567m.

Financial Assets	**31st March 16**		**31st March 17**	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Short term investments	41,957	41,943	14,567	14,583
Long term investments	0	0	5,066	5,113
Long term debtors	7,744	7,744	7,605	7,605
Total Assets	**49,701**	**49,687**	**27,238**	**27,301**

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate payable is higher than the rates available for similar investments in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31st March 2017) arising from a commitment to receive interest from lenders above current market rates.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty but it is impractical to use these figures and the difference is likely to be immaterial.

Assets with a carrying value different to fair value are measured at input level 2 of the fair value hierarchy.

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;
- **Refinancing Risk -** the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates 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 or stock market movements.

Overall procedures for managing risks

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

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 specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

a) Credit Risk - Investments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This Council regards it as being a prime objective to ensure the security of the principal sums it invests. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with information provided by various credit rating agencies. The Annual Investment Strategy also considers maximum amounts and time limits for each financial institution.

The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current ratings of counterparties but also takes into account credit watches and outlooks from credit rating agencies, Credit Default Swap spreads which provide early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries. The full Investment Strategy for 2016/17 was approved by Full Council on 1st March 2016. An analysis of the credit criteria and lending limits at the time the investment was placed is given below for outstanding deposits at 31st March 2017.

	Estimated maximum exposure to default £'000	Amount £'000	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default £'000
Bond rated	**31st March 16**	**31st March 17**	**31st March 17**	**31st March 17**	**31st March 17**
AAA	0	0	0.00%	0.00%	0
AA	5	15,500	0.01%	0.03%	5
A	20	13,000	0.07%	0.08%	10
BBB	0	0	0.15%	0.19%	0
Total	**25**	**28,500**			**15**

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £28.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there is no evidence at the 31st March 2017 that this was likely to crystallise.

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 deposits and bonds.

b) Other Credit Risks

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

The Council also has trade debtors of £22.891m (22.978m in 2015/16) outstanding at the year end. The Council does not generally allow credit for its trade debtors, such that £14.499m of the £22.891m balance is past its due date for payment (£14.772m of £22.978m in 2015/16). The past due amount can be analysed by age as follows: -

2015/16 £'000		**2016/17 £'000**
5,773	Less than 3 months	4,721
1,587	3 to 6 months	1,566
1,673	6 months to 1 year	2,118
5,739	More than 1 year	6,094
14,772	**Total Trade Debtors**	**14,499**

c) 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 a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

All sums owing from financial assets are due to be paid in less than one year, with the exception of one £5m fixed term deposit with Lloyds Banking Group which matures in May 2018.

d) 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 treasury 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 central treasury team address the operational risks within the approved parameters. This includes: -

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

MATURITY PROFILE	UPPER LIMIT	LOWER LIMIT	Actual 31st March 2016		Actual 31st March 2017	
	%	%	%	£'000	%	£'000
Less than one year	30	0	7.80	34,586	3.90	17,190
Between one and two years	50	0	2.75	12,187	5.14	22,687
Between two and five years	50	0	9.15	40,560	6.93	30,560
Between five and ten years	75	0	7.03	31,161	7.96	35,101
Between ten and twenty years	95	10	8.62	38,213	12.28	54,175
Between twenty and thirty years			10.40	46,093	5.94	26,205
Over thirty years			54.25	240,382	57.85	255,181
TOTAL			**100.00**	**443,182**	**100.00**	**441,100**

For the Prudential Code the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a Lender Offer Borrower Offer (LOBO) loan, this should be treated as a right to require repayment. Following an assessment of this type of loan, it is unlikely that the interest rate will be increased at the next call date and therefore the loan maturity date has been set as per the original contract. They will continue to be assessed against interest rate expectations.

e) Market 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. For instance, a rise in interest rates would have the following effects: -

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

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

Investments – With the exception of one £5m Lloyds Banking Group investment, all deposits will mature within a year, and the majority are at fixed rates of interest. The protection of capital is more important than maximising a return. However, in order to ensure an adequate return is achieved compatible with this risk principle, an appropriate benchmark is used to measure the interest earned.

Borrowing – The majority of the debt portfolio is at fixed rates of interest that ensures certainty of borrowing costs. In order to protect the Council against adverse movements in interest rates the policy is to keep the variable interest rate debt to a maximum of 30%. The actual variable element in 2016/17 equated to 0%.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowing in variable rate loans. 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, similarly the drawing of longer term fixed rate loans would be postponed.

The Corporate Financial Management Group has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the quarterly budget monitoring reports during the year. This allows any adverse changes to be accommodated. The analysis will also advice whether new borrowing taken out is fixed or variable.

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

2015/16 £'000		2016/17 £'000
	External Debt	
0	Increase in interest payable on variable rate borrowings	170
0	Share attributable to the HRA	34
	Investments	
(419)	Increase in interest receivable on variable rate investments	(235)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

f) Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in a foreign currency and thus have no exposure to loss arising from movement in exchange rates. If income or expenditure is incurred in a foreign currency, exposure is eliminated as soon as it is identified by immediate conversion to ensure certainty of values.

g) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £2.772m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, generally associated with the economic regeneration of the borough, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The shares are unquoted equity investments and are accounted for at the open book value.

17 Inventories

2016/17	Consumable Stores £'000	Transport £'000	General Materials £'000	Total £'000
Balance outstanding at start of year	**2,451**	**134**	**59**	**2,644**
Purchases	4,982	1,050	2,877	**8,909**
Recognised as an expense in the year	(6,042)	(1,032)	(2,868)	**(9,942)**
Written off balances	0	(21)	0	**(21)**
Balance outstanding at year-end	**1,391**	**131**	**68**	**1,590**

Comparative 2015/16	Consumable Stores £'000	Transport £'000	General Materials £'000	Total £'000
Balance outstanding at start of year	**511**	**172**	**67**	**750**
Purchases	5,546	964	2,742	**9,252**
Recognised as an expense in the year	(3,606)	(990)	(2,744)	**(7,340)**
Written off balances	0	(12)	(6)	**(18)**
Balance outstanding at year-end	**2,451**	**134**	**59**	**2,644**

18 Debtors

	31st March 2016 £'000	31st March 2017 £'000
Debtors		
Central Government bodies	11,790	12,049
Other local authorities	1,751	1,702
NHS bodies	4,763	6,800
Public corporations and trading funds	48	22
Other entities and individuals	47,050	40,844
Sub Total	**65,402**	**61,417**
Payments in advance	8,280	19,417
Total	**73,682**	**80,834**

19 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements: -

	31st March 2016 £'000	31st March 2017 £'000
Cash held by the Council	25	29
Bank overdraft	(12,781)	(15,372)
Cash investments regarded as cash equivalents (bank current accounts and short-term deposits with bank, building societies and other banking sector)	16,900	6,500
Total Cash and Cash Equivalents	**4,144**	**(8,843)**

20 Assets Held For Sale

	Current	
	2015/16 £'000	**2016/17 £'000**
Balance outstanding at start of year	**0**	**6,000**
Assets newly classified as held for sale: Property, Plant and Equipment	9,300	1,500
Assets newly classified as held for sale: Revaluation Gains	0	100
Assets declassified as held for sale: Assets sold	(3,300)	(6,100)
Balance outstanding at year-end	**6,000**	**1,500**

21 Creditors

	31st March 2016 £'000	31st March 2017 £'000
Creditors		
Central Government bodies	(9,915)	(6,496)
Other local authorities	(1,852)	(3,099)
NHS bodies	(2,034)	(1,591)
Public corporations and trading funds	(8)	(8)
Other entities	(27,415)	(27,930)
Sub Total	**(41,224)**	**(39,124)**
Receipts in Advance	(4,382)	(4,648)
Total	**(45,606)**	**(43,772)**

22 Provisions

Provisions are included in the accounts for potential liabilities that are likely or certain to be incurred but there is a degree of uncertainty as to the amount concerned or the dates on which these may arise.

	Insurance fund	NNDR Appeals	Grant Claw-back	Municipal Mutual Insurance	Other Provisions	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1st April 2016	10,871	4,491	1,980	1,795	783	**19,920**
Additional provisions made in 2016/17	436	1,219	0	0	0	**1,655**
Amounts used in 2016/17	(2,155)	(2,382)	0	0	(244)	**(4,781)**
Unused amounts reversed in 2016/17	0	0	(432)	(823)	(41)	**(1,296)**
Balance at 31st March 2017	**9,152**	**3,328**	**1,548**	**972**	**498**	**15,498**
Short Term Provisions	800	0	0	0	154	954
Long Term Provisions	8,352	3,328	1,548	972	344	14,544

Insurance Fund
The Council self-insures part of its insurable financial risk by holding excesses on the various insurance policies that it has in place, currently with Zurich Municipal. These excesses apply to various categories of cover including property, motor, public liability and employer's liability, and any claim that falls below the policy excess will be a cost to the Council.

The insurance provision covers the estimated value of outstanding insurance claims for which the Council has a potential legal liability, as at 31 March 2017 this was estimated to be approximately £8.902m and it is estimated that the cost to the Council of settling these claims will be £7.787m based on previous claims experience.

In addition, the Council continues to monitor claims experience and has identified an appropriate reserve to meet other potential insurance claims Incurred But Not Reported (IBNR), the value of those claims being estimated at £1.365m, this together with a reserve for emerging claims gives a total insurance fund value of £9.152m.

NNDR Appeals
Under the Business Rates Retention scheme 50% of local business rates income is retained locally (Doncaster retains 49% and passes on 1% to the South Yorkshire Fire and Rescue Authority) and 50% is passed to Central Government. Business rate payers can appeal against the rateable value and provision must be made for successful appeals. The total provision for appeals as at 31st March 2017 is £6.793m. The Council's share is £3.328m (49%). The decrease in provision is largely due to receiving fewer backdated appeals for 2016/17 than expected and the release of the provision for those appeals, partially offset by an increase in the overall number of appeals received.

Grant Claw-back
The provision has been established to meet the cost of potential claw-back of grants, specifically in relation to the Derelict Land Grant (DLG), Land Reclamation Programme Grant (LRPG) and European Regional Development Fund (ERDF). DLG and LRPG were used for the reclamation of land to facilitate future development. As part of the grant conditions, on disposal, appropriation or bringing the land into use the Council has to repay grant based on the after value of the land. During 2016/17, £0.432m has been released from the provision following confirmation that European Commission that are no longer seeking repayment of grant.

Municipal Mutual Insurance
MMI were the Council's insurer until their demise in 1992 when they ceased writing new business. A Scheme of Arrangement was set up with its creditors under which MMI continued to settle outstanding claims whilst they had sufficient funds to do so. In the eventuality that the company became insolvent then a clawback clause would be triggered with the Council liable to repay MMI. This Scheme of Arrangement was triggered in November 2012 and so a levy was imposed on all scheme creditors, including the Council, who have been paid amounts in respect of scheme liabilities. An initial levy set

at 15% by the administrators has been paid in 2013/14 with projected outcomes for a solvent run-off ranging anywhere between 9.5% and 28% at that time. However, in January 2016 MMI advised that due to volatile classes remaining uncertain the Levy range had been extended to be 15%-34%. A further Levy notice was issued in March 2016 for a further 10% repayment (£0.823m), the Council's provision has been set at 34%, being the upper limit as advised by MMI. The remaining provision totalling £0.972m represents 9% against paid claims and 34% of outstanding claims and £21k that has been set aside due to the volatility of MMI accounts and potential further levy announcements.

Other Provisions
This balance represents the Council's other provisions and includes provisions for Stadium Management Company, Equal Pay Claims, Section 117 Mental Health Act and various other smaller provisions.

23 Usable Reserves

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

24 Unusable Reserves

31st March 2016 £'000		31st March 2017 £'000
295,364	Revaluation Reserve (Note 24a)	308,088
548,373	Capital Adjustment Account (Note 24b)	694,450
(1,356)	Financial Instruments Adjustment Account (Note 24c)	(1,154)
(372,427)	Pension Reserve (Note 24d)	(499,510)
4,834	Deferred Capital Receipts Reserve (Note 24e)	4,828
4,782	Collection Fund Adjustment (Note 24f)	3,923
(1,000)	Accumulated Absences Account (Note 24g)	(3,241)
(4)	Unequal Pay Back Pay Account (Note 24h)	0
0	Available for Sale Financial Instruments Reserve (Note 24i)	33
478,566	**Total Unusable Reserves**	**507,417**

24a Revaluation Reserve

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

- re-valued 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 1st 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.

2015/16 £'000		2016/17 £'000
268,610	**Balance at 1st April**	**295,364**
64,265	Upward revaluation of assets	61,736
(26,163)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(31,043)
38,102	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**30,693**
(5,589)	Difference between fair value depreciation and historical cost depreciation	(4,871)
(5,759)	Accumulated gains on assets sold or scrapped	(13,098)
(11,348)	**Amount written off to the Capital Adjustment Account**	**(17,969)**

295,364	**Balance at 31st March**	**308,088**

24b Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and assets held for sale 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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

2015/16 £'000		2016/17 £'000	
530,745	**Balance at 1st April**		**548,373**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
(25,178)	Charges for depreciation of non-current assets	(24,835)	
(20,751)	Charges for depreciation on Council dwellings	(21,421)	
(1,429)	Charges for impairment of non-current assets	(4,260)	
(9,939)	Revaluation gains / (losses) on Property, Plant and Equipment	134,752	
(467)	Charges for amortisation of non-current assets	(654)	
(2,722)	Revenue expenditure funded from capital under statute	(4,003)	
(32,121)	Amounts of non-current asset written off on disposal or sale as part of P/L on disposal to CI&ES	(32,359)	
(92,607)			**47,220**
11,348	Adjusting amounts written out of the Revaluation Reserve	17,969	
(81,259)	**Net written out amount of the cost of non-current assets consumed in the year**		**65,189**
Capital financing applied in the year:			
5,548	Use of the Capital Receipts Reserve to finance new capital expenditure	8,910	
29,098	Use of the Major Repairs Reserve to finance new capital expenditure	22,196	
38,497	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	28,356	
6,988	Application of grants to capital financing from the Capital Grants Unapplied Account	4,692	
14,839	Capital expenditure charged against the General Fund and HRA balances	17,039	
191	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,282	
1,823	Write down of PFI Finance Liabilities	2,093	
1,478	Former South Yorkshire County Council debt repayment	1,626	
98,462			**86,194**
425	Movements in the market value of Investment Properties debited or credited to the CI&ES	(5,306)	
548,373	**Balance at 31st March**		**694,450**

24c 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 account in 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 the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the account at 31st March 2017 will be charged to the General Fund.

2015/16 £'000		2016/17 £'000	
(1,572)	**Balance at 1st April**		**(1,356)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
216	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	202	
216	Amount by which finance costs charged to the Comprehensive Income and Expenditure are different from finance costs chargeable in the year in accordance with statutory requirements		**202**
(1,356)	**Balance at 31st March**		**(1,154)**

24d 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. 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 is set aside by the time the benefits are paid.

2015/16 £'000		2016/17 £'000
(410,550)	**Balance at 1st April**	**(372,427)**
51,409	Actuarial gains or losses on pensions assets and liabilities	(137,255)
(41,346)	Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement (see Note 40)	(17,673)
28,060	Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 40)	27,845
(372,427)	**Balance at 31st March**	**(499,510)**

24e Deferred Capital Receipts Reserve

2015/16 £'000		2016/17 £'000
4,839	**Balance at 1st April**	**4,834**
(5)	Transfer to the capital Receipts Reserve upon receipt of cash	(6)

4,834	**Balance at 31st March**	**4,828**

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.

24f Collection Fund Adjustment Account

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

2015/16 £'000		**2016/17 £'000**
3,322	**Balance at 1st April**	**4,782**
1,460	Amount by which Council tax income credited to the comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(859)
4,782	**Balance at 31st March**	**3,923**

24g 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, flexi leave and time off in lieu (TOIL) entitlement carried forward at 31st March.

Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £'000		**2016/17 £'000**	
(2,815)	**Balance at 1st April**		**(1,000)**
2,815	Settlement or cancellation of accrual made at the end of the preceding year	1,000	
(1,000)	Amounts accrued at the end of the current year	(3,241)	
1,815	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2,241)
(1,000)	**Balance at 31st March**		**(3,241)**

24h Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2015/16 £'000		**2016/17 £'000**	
(38)	**Balance at 1st April**		**(4)**
0	Increase in provision for back pay in relation to Equal Pay cases	0	
34	Cash settlements paid in year	4	
34	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**4**	
(4)	**Balance at 31st March**		**0**

24i Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are: -

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

2015/16 £'000		2016/17 £'000
0	**Balance at 1st April**	**0**
0	Upward revaluation of investments	33
0	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	0
0	**Surplus or deficit on revaluation of investments not posted to the Surplus or Deficit on the Provision of Services**	**33**
0	Accumulated gains on investments sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
0	**Balance at 31st March**	**33**

25 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items: -

2015/16 £'000		2016/17 £'000
1,595	Interest received	1,439
(20,784)	Interest paid	(21,684)

The surplus or deficit on the provision of services has been adjusted on the following non-cash movements: -

2015/16 £'000		2016/17 £'000
45,929	Depreciation	46,256
11,474	Impairment and valuations	(130,558)
467	Amortisation	654
(8,374)	Donated Assets	0
(12,554)	Increase/(Decrease) in creditors	(7,987)
20,242	(Increase)/Decrease in debtors	(10,956)
(2,077)	(Increase)/Decrease in inventories	1,321
24,491	Movement in pension liability	1,033
32,121	Carrying amount of non-current assets held for sale, sold or de-recognised	32,359
(1,490)	Other non-cash items charged to the net surplus or deficit on the provision of services	574
110,229		**(67,304)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities: -

2015/16 £'000		2016/17 £'000
(10,664)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,371)
(33,674)	Capital Grants credited to surplus or deficit on the provision of services	(35,849)
(44,338)		**(46,220)**

26 Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
(102,610)	Purchase of property, plant and equipment, investment property and intangible assets	(83,871)
(25,004)	Purchase of short-term and long-term investments	(22,038)
10,669	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,377
40,000	Proceeds from short-term and long-term investments	25,000
25,979	Capital grant received	42,292
1,007	Other capital cash receipts	245
(49,959)	**Net cash flows from investing activities**	**(27,995)**

27 Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
93,177	Cash receipts of short and long term borrowing	36,626
170	Other receipts from financing activities	0
(1,791)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,092)
(85,588)	Repayments of short- and long-term borrowing	(36,546)
0	Other payments for financing activities	(784)
5,968	**Net cash flows from financing activities**	**(2,796)**

28 Trading Operations

The Council has established 6 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The trading operations are separated into two groups, those which are an integral part of the Council's services to the public and those that are support services to the Council's services to the public, e.g. schools catering. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

The table below shows the (surplus)/deficit position after the IAS19 pension adjustment. The surpluses before the IAS19 pension adjustment for services to the public included in expenditure of continuing operations and support services recharged to expenditure of continuing operations were £1.134m and £0.643m respectively.

	2015/16			2016/17		
	Turnover	Expenditure	(Surplus) / Deficit	Turnover	Expenditure	(Surplus) / Deficit
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Services to the public included in Expenditure of Continuing Operations						
Markets	(1,441)	2,141	**700**	(1,330)	1,677	**347**
Bereavement Services	(2,932)	1,851	**(1,081)**	(2,998)	1,860	**(1,138)**
Parking	(1,803)	1,602	**(201)**	(1,759)	1,508	**(251)**
Trade Waste	(2,329)	1,385	**(944)**	(2,099)	1,994	**(105)**
Total Services to the public included in Expenditure of Continuing Operations	**(8,505)**	**6,979**	**(1,526)**	**(8,186)**	**7,039**	**(1,147)**
Support services recharged to Expenditure of Continuing Operations						
Metro Clean	(5,413)	5,661	**248**	(2,057)	1,969	**(88)**
Schools Catering	(9,393)	9,597	**204**	(4,790)	4,139	**(651)**
Total Support services recharged to Expenditure of Continuing Operations	**(14,806)**	**15,258**	**452**	**(6,847)**	**6,108**	**(739)**
Net surplus credited to Other Operating Expenditure	**(23,311)**	**22,237**	**(1,074)**	**(15,033)**	**13,147**	**(1,886)**

Services to the public included in Expenditure of Continuing Operations

Markets
The Markets undertaking is regarded as one of the foremost in the region. It includes three retail sites providing a wide range of produce and goods as well as a Wholesale Market supplying local businesses.

Bereavement Services
Bereavement Services has management responsibility for the crematorium, thirteen cemeteries, thirteen closed churchyards and community War Memorials in the Borough (excluding Elmfield Park). The Crematorium complies with the requirements of the Environmental Protection Act 1990.

Parking Services
The Parking Services department operates both on and off street parking in the town centre and rural areas. The department's responsibilities include a range of services relating to the operational management of the car parks, including revenue collection and control as well as the maintenance of the car park assets. The department also maintains and manages on street pay and display machines including the processing of parking tickets (Penalty Charge Notices).

Business waste and recycling (commercial and trade)
The Council provides an extensive range of waste collection and disposal services available to all businesses located in Doncaster. Expenditure includes the collection cost of trade refuse and commercial recycling, along with the associated trade refuse disposal costs. Turnover includes income from businesses and other external parties including schools.

Support Services recharged to Expenditure of Continuing Operations

Metro Clean
Metro Clean is the Council's in-house building cleaning service provider responsible for the cleaning at numerous sites across the borough. These include the majority of schools and academies, all St Leger Homes' buildings, all internal Council sites and 8 NHS LIFT buildings.

Schools Catering
Schools Catering provides meals in Doncaster for schools and academies.

29 Pooled Budget Arrangements

The Council has entered into a pooled budget arrangement with Doncaster Clinical Commissioning Group (CCG) for the provision of integrated health and social care services for people in the Doncaster area, the services being provided by the Council or the CCG depending on the client requirements. The Council and the CCG have an annual agreement in place for funding these services, with partners contributing funds to the agreed budget in line with funding allocations, taking responsibility for its own deficit or surplus.

The pooled budget is hosted by Doncaster CCG.

	2015/16			**2016/17**		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Funding provided to the pooled budget:						
the Council	0	2,085	2,085	0	1,965	**1,965**
Doncaster CCG	22,078	0	22,078	22,869	0	**22,869**
	22,078	**2,085**	**24,163**	**22,869**	**1,965**	**24,834**
Expenditure met from the pooled budget:						
the Council	6,920	2,085	9,005	7,967	1,965	**9,932**
Doncaster CCG	15,158	0	15,158	14,902	0	**14,902**
	22,078	**2,085**	**24,163**	**22,869**	**1,965**	**24,834**
Net surplus arising on the pooled budget during the year	0	0	0	0	0	0

30 Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during the year.

2015/16		**2016/17**
£		**£**
892,969	Allowances	878,484
3,281	Expenses	2,564
1,754	Co-opted members	1,524
898,004	**Total**	**882,572**

31 Officers' Remuneration

Senior Officer Remuneration

Title / Name	Year	Gross Salary	Additional payments	Compensation for loss of office	Employer Pension Contribution	Total
		£	£	£	£	£
Chief Executive J Miller	**2016/17**	149,000	0	0	19,221	**168,221**
	2015/16	149,000	900	0	19,337	**169,237**
Director of Adults, Health & Wellbeing K Curry - Note 1	**2016/17**	159,650	0	0	0	**159,650**
	2015/16	38,750	0	0	0	**38,750**
Director of Adults, Health & Wellbeing D Hamilton – Note 2	**2015/16**	115,500	57	36,000	11,126	**162,683**
Director of Regeneration & Environment P Dale	**2016/17**	120,379	0	0	15,529	**135,908**
	2015/16	120,379	900	0	15,645	**136,924**
Director of Learning Opportunities: Children & Young People D Allen – Note 3	**2016/17**	120,000	0	0	15,480	**135,480**
	2015/16	72,581	900	0	9,479	**82,960**
Director of Learning Opportunities: Children & Young People E Brazil – Note 4	**2015/16**	33,575	3,160	0	0	**36,735**
Director of Finance & Corporate Services S Wiles – Note 5	**2016/17**	96,213	0	0	12,412	**108,625**
	2015/16	113,357	810	0	14,727	**128,894**
Director of Public Health R Suckling	**2016/17**	100,308	0	0	14,344	**114,652**
	2015/16	100,308	1,126	0	14,473	**115,907**
Monitoring Officer S Fawcus - Note 6	**2016/17**	84,435	0	0	10,892	**95,327**
	2015/16	6,967	0	0	899	**7,866**
Monitoring Officer R Harvey – Note 6	**2015/16**	83,817	0	0	10,812	**94,629**
Section 151 Officer S Mawson – Note 5	**2016/17**	45,719	0	0	5,898	**51,617**

Note 1 – K Curry started work with the Council on 18th January 2016 and left 31st March 2017. K Curry, although not regarded as an employee of the Council under employment law, occupied on an interim basis the role of the Director of Adult's, Health and Well-Being Services and is therefore included within this note as a senior officer of the Council.

Note 2 – D Hamilton started work with the Council on 4th August 2014 and left the Council on 31st December 2015.

Note 3 – D Allen started work with the Council on 24th August 2015.

Note 4 – E Brazil left the Council on 24th June 2015. E Brazil, although not regarded as an employee of the Council under employment law, occupied the statutory role of the Director of Children's Services and is therefore included within this note as a senior officer of the Council. The figures include all payments received by E Brazil, e.g. expense allowances and the estimated monetary value of any other benefits received otherwise than in cash.

Note 5 – S Wiles was Section 151 Officer from 1st April to 30th September 2016. S Mawson became Section 151 Officer on 1st October 2016.

Note 6 – R Harvey left the Council on 29th February 2016. S Fawcus became Monitoring Officer on 1st March 2016.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions), expressed in bands of £5,000, is as below: -

2015/16			**Salary Banding**	**2016/17**		
DMBC	**Schools**	**Total**	**£**	**DMBC**	**Schools**	**Total**
32	31	63	50,000 - 54,999	18	20	38
18	36	54	55,000 - 59,999	9	28	37
19	22	41	60,000 - 64,999	18	11	29
8	8	16	65,000 - 69,999	4	11	15
2	8	10	70,000 - 74,999	1	10	11
1	4	5	75,000 - 79,999	0	4	4
3	4	7	80,000 - 84,999	4	2	6
2	0	2	85,000 - 89,999	3	1	4
8	1	9	90,000 - 94,999	8	1	9
1	0	1	95,000 - 99,999	1	0	1
1	0	1	100,000 - 104,999	0	0	0
0	0	0	105,000 - 109,999	0	0	0
0	0	0	110,000 - 114,999	0	0	0
1	0	1	115,000 - 119,999	1	0	1
0	0	0	120,000 -124,999	0	0	0
0	0	0	125,000 - 214,999	0	0	0
1	0	1	215,000 - 219,999	0	0	0
97	**114**	**211**	**Total**	**67**	**88**	**155**

The table above excludes the senior employees and posts shown above, whose remuneration for 2015/16 and 2016/17 is shown in the senior officer remuneration analysis. The inclusion of termination payments has had the effect of certain employees being in a higher band for 2015/16 and 2016/17 than would otherwise be the case.

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The information does not include any costs relating to schools.

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band (£)**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£0 - £20,000	13	21	103	101	116	122	928,056	850,505
£20,001 - £40,000	1	5	20	23	21	28	544,670	726,591
£40,001 and above	0	0	4	2	4	2	335,300	126,014
Total	**14**	**26**	**127**	**126**	**141**	**152**	**1,808,026**	**1,703,110**

32 External Audit Costs

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, KPMG: -

	2015/16 £'000	2016/17 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	165	165
Fees payable to KPMG for the certification of grant claims and returns for the year	27	34
Fees payable in respect of other services provided by KPMG during the year	6	3
Total	**198**	**202**

33 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by DSG provided by the Department for Education (DfE). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2016

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

Details for the deployment of DSG receivable for 2016/17 are as follows: -

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2016/17 before academy recoupment	22,638	205,977	228,615
Academy figure recouped for 2016/17	1,520	110,330	111,850
Total DSG after academy recoupment for 2016/17	**21,118**	**95,647**	**116,765**
Plus: Brought Forward from 2015/16	3,994	0	3,994
Agreed initial budgeted distribution in 2016/17	**25,112**	**95,647**	**120,759**
In-year adjustments	26	0	26
Final budgeted distribution for 2016/17	**25,138**	**95,647**	**120,785**
Less: Actual central expenditure	21,741	0	21,741
Less: Actual ISB deployed to schools	0	95,647	95,647
Carry forward to 2017/18	**3,397**	**0**	**3,397**

34 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17: -

	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income **Capital Grants and Contributions**		
Department for Business, Innovation and Skills - National College's Investment Fund	1,808	10,474
Sheffield City Region Local Growth Fund for Rail College	0	5,000
Department for Transport - Local Transport Plan (Maintenance)	6,107	4,813
Department for Education - New Pupil Places (Basic Need)	1,733	4,613
Department for Education - Local Authority Capital Maintenance	2,302	2,231
Homes and Communities Agency - Empty Property	1,020	1,647
SCRIF- Finningley & Rossington Regeneration Route Scheme extension	0	1,058
Department for Transport - Local Transport Plan (Central Pot)	2,486	1,027
Developer Contributions – Finningley and Rossington Regeneration Route Scheme (FARRRS)	12,870	31
Department for Education - Targeted Basic Need Programme	1,522	0
Finningley and Rossington Regeneration Route Scheme (FARRRS) - Road Infill Donated Asset	8,374	0
Other Grants and Contributions	3,825	5,008
Total	**42,047**	**35,902**
Non-Ring fenced Government Grants		
Revenue Support Grant	60,943	48,011
Business Rates Retention Top Up Grant	26,972	27,197
New Homes Bonus	3,479	5,051
Business Rate Relief: Reimbursement for Local Authority Income Loss Payments	3,340	2,875
Troubled Families	758	1,227
Other	1,726	936
Total	**97,218**	**85,297**
Credited to Services		
Dedicated Schools Grant (DSG)	119,713	116,791
Mandatory Rent Allowance: subsidy	49,085	48,159
Mandatory Rent Rebates: subsidy	42,555	41,319
Public Health Grant	22,184	25,055
Pupil Premium	10,330	9,353
Private Finance Initiative (PFI) Annuity Grant	3,478	3,478
Universal Infant Free School Meals (UIFSM) Funding	2,864	2,820
Education Services Grant	2,773	2,454
Department for Environment, Food and Rural Affairs (Defra) Waste Infrastructure Grant	2,683	2,385
Department for Education - Improvement Grant	1,244	1,965
Housing Benefit & Council Tax Admin Benefit Subsidy	2,050	1,783
Independent Living Fund Grant	593	751
PE & Sports Grant	764	725
Skills Funding Agency Safeguarded Learning	1,022	712
Initial Teacher Training Grant	795	686
Skills Funding Agency Sixth Forms	687	679
Discretionary Housing Payments	570	676
Youth Justice Board	766	675
DECC Central Heating Fund	7	620
Other Grants	5,780	3,839
Total	**269,943**	**264,925**

	2015/16 £'000	2016/17 £'000
Contributions		
Primary Care Trust - Section 256 and Section 75	9,797	18,698
Primary Care Trust Continuing Healthcare Contribution to care packages	2,410	3,263
Other	4,568	4,949
Total	**16,775**	**26,910**

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

	Current		Long Term	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Revenue Grants Receipts in Advance				
Growing Places Fund	0	1,010	0	0
Reablement Grant	7,630	0	0	0
Other	1,267	911	0	0
Total	**8,897**	**1,921**	**0**	**0**
Capital Grants & Contributions Receipts in Advance				
Early Years Capital Fund (Department for Education)	0	1,873	0	0
Section 106	0	706	2,581	2,137
Other Grant & Contribution	699	1,272	126	0
Total	**699**	**3,851**	**2,707**	**2,137**

35 Related Parties

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.

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant information is shown in Note 34.

Members

Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2016/17 is shown in Note 30. Members have disclosed material transactions with related parties during 2016/17. These are Rotherham, Doncaster and South Humber Foundation Trust £16.9m, Doncaster and Bassetlaw Hospital NHS Foundation Trust £2.8m, Yorkshire Purchasing Organisation £1.9m, Doncaster Deaf Trust £1.2m and Doncaster East Internal Drainage Board £0.6m.

The Register of Members' Interest is open to public inspection at the Civic Centre during office hours, on application, and is also available on the Council's website.

Officers

Officers have disclosed material transactions in 16/17 with Doncaster Children's Services Trust providing £47.210m under the terms of service delivery contract and to Zurich Municipal Management services £1.1m.

Other Public Bodies

The Council pays levies towards the services provided by the Sheffield City Region Combined Authority (SCR CA). The amount paid to SCR CA in 2016/17 was £13.476m (£15.185m in 2015/16).

Entities controlled or significantly influenced by the Council

- **Subsidiary**

  St Leger Homes of Doncaster Limited (SLHD)
  This is a company limited by guarantee and does not have any share capital. The Council is the sole member. The company was formed on 1st October 2005 to provide housing management and other services on behalf of the Council.

  Details of the relationship with this company are shown within the Group Accounts.

- **Joint Ventures and Associates**

  Digital Region Limited
  Digital Region Limited is a joint venture whose members comprise Rotherham MBC, Sheffield CC, Barnsley MBC, Doncaster MBC and the Secretary of State for Business, Innovation and Skills (BIS) who inherited Yorkshire Forward's interests in March 2012 following the abolition of the Regional Development Agencies.

  The company was set up to manage and procure a high speed broadband network in the South Yorkshire region and to undertake the promotion of the network to the service provider market. Under the original business model, achievement of this objective was dependent upon the company generating sufficient revenue sales in the early years of operation. However, due to a range of factors, the target level of sales was not achieved.

  The shareholders therefore took a decision in 2013 to commence an orderly and solvent closure of Digital Region Limited. A funding agreement was subsequently signed by all shareholders to ensure that sufficient funds would be made available to enable services to be migrated without interruption of business and to enable the company to meet its debts as they fell due. In the Council's case this amounted to £2m of capital loans and up to £7.58m of further support, of which £6.280m is covered by a capitalisation direction received from DCLG in 2011/12, against which the Council has advanced £5.34m.

  To achieve a solvent liquidation of the company, a restructure of the company's balance sheet was completed during 2015 prior to a liquidator being appointed on 30th June 2015. As a consequence, the Council's shareholding is now 150 'A' shares (10%), 6 'B' shares (8.57%) and 3,870,041 'C' shares (8.57%). The final distribution of the remaining shareholder funds was made in 2016/17.

  Doncaster Racecourse Management Company Limited
  The company was formed on 1st January 2006 to develop and operate the Racecourse. The Council has 190 shares of £1 each, which is 19% of the share capital.

  The accounts for the year ended 31st December 2015 show net assets valued at £11.241m (£8.998m in 2014). The company made a profit for the year of £2.243m after tax (£1.496m after tax for the year ended 31st December 2014). Over the first 30 years of the racecourse's operation the Council will receive 7.5% of profits of the original business plan projections and 19% of any super profits. Although the information is from the 31st December 2015 accounts, based upon more recent management information, the 31st December 2016 accounts will not be materially different.

36 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/PP contracts), together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as 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. The CFR is analysed within this note.

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	**547,995**	**582,472**
Capital investment:		
Property, Plant and Equipment *	119,649	82,737
Donated Property, Plant and Equipment *	1,874	52
Heritage Assets **	0	27
Intangible Assets ***	983	1,134
Long term loans and advances	7,710	0
Revenue Expenditure Funded from Capital Under Statute	2,722	4,003
Sources of Finance:		
Capital receipts	(5,548)	(8,910)
Government grants and other contributions	(37,110)	(32,996)
Donated Assets	(8,374)	(52)
Major Repairs Reserve	(29,098)	(22,196)
Direct revenue contributions	(14,839)	(17,039)
MRP / loans fund principal	(3,492)	(5,001)
Closing Capital Financing Requirement	**582,472**	**584,231**
Explanation of movements in year:		
MRP / loans fund principal	(3,492)	(5,001)
Donated Assets	(6,500)	0
Increase in underlying need to borrowing (unsupported by Government financial assistance)	23,968	7,810
Assets acquired under PFI/PPP contracts	25,733	0
Un-financed expenditure	(5,232)	(1,049)
Increase / (decrease) in Capital Financing Requirement	**34,477**	**1,759**

* These figures match to the additions lines in Note 12 – Property, Plant and Equipment
** These figures match to the additions lines in Note 13 – Heritage Assets
*** These figures match to the additions lines in Note 15 – Intangible Assets

37 Leases

a) Council as lessee

Finance Leases

The Council has not classified any leases as Finance Leases.

Operating Leases

The Council has entered into a number of operating leases for vehicles, plant and equipment and land and buildings. The expenditure charged to the services line in the Comprehensive Income and Expenditure during the year in relation to these leases is as below: -

	Rent Paid in Year	
	2015/16 £'000	2016/17 £'000
Hire of plant and machinery	669	159
Land and buildings	1,199	1,150
Total	**1,868**	**1,309**

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

	Land and buildings	Other operating leases	Land and buildings	Other operating leases
	2015/16 £'000		2016/17 £'000	
Operating leases which expire:				
Within 1 year	1,094	159	1,137	74
Between 1 and 5 years	3,421	82	3,337	2
After 5 years	8,643	0	7,910	0
Total	**13,158**	**241**	**12,384**	**76**

b) Council as lessor

Finance Leases

The Council has entered into two finance lease arrangements, one for Doncaster Racecourse and one for the Keepmoat Stadium. The Council has a gross investment in the leases made up of the minimum lease payments expected to be received over the remaining lease terms. There is no residual value anticipated at the end of either of the lease terms. The minimum lease payments comprise settlement of the long-term debtor for the interest in each property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. Both lease arrangements are for a term of 99 years. The Council entered into the lease arrangements for Doncaster Racecourse and the Keepmoat Stadium in January 2006 and August 2012 respectively.

The gross investment is made up of the following amounts: -

	31st March 2016 £'000	31st March 2017 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	5	5
Non-Current	4,814	4,811
Finance Income	15,755	15,535
Gross investment in the lease	**20,574**	**20,351**

The gross investment in leases and the minimum lease payments will be received over the following periods: -

	Gross Investment in the Lease		Minimum Lease Payments	
	31st March 2016 £'000	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000
Not later than one year	223	223	223	223
Later than one year and not later than five years	893	893	893	893
Later than five years	19,458	19,235	19,458	19,235
Total	**20,574**	**20,351**	**20,574**	**20,351**

In both of the above arrangements, the minimum lease payments do not include rents that are contingent on events taking place after the balance sheet date.

The Council currently leases a number of land and school buildings to academies on long term arrangements. Where these have been classified as finance leases the schools have subsequently been treated as disposals and are excluded from the Council's balance sheet in line with the appropriate accounting standard and accounting policy (see Note 3, Critical Judgements in Applying Accounting Policies).

Operating Leases

The Council has properties which it leases out under operating leases which generate revenue. The future minimum lease payments receivable under non-cancellable leases in future years are: -

	Land and buildings	
	2015/16 £'000	**2016/17 £'000**
Operating leases which expire:		
Within 1 year	1,365	1,603
Between 1 and 5 years	3,871	4,130
After 5 years	22,990	22,439
Total	**28,226**	**28,172**

38 Private Finance Initiatives (PFI) and Similar Contracts

Details of the PFI arrangements entered into by the Council are disclosed below along with information relating to payments still to be made under the contracts.

Schools PFI Contracts

In 2007/08 the Council entered a contract over 25 years with Doncaster School Solutions and committed to making payments estimated at £6.8m per annum on average over the 25 years for the provision of two secondary PFI schools. The variable element of the payments are inflated by RPIX each year. The contractor payments began in December 2008 with actual payments of £6.339m in 2016/17 (£6.308m in 2015/16). The contract is due to expire in 2033/34.

Sir Thomas Wharton College transferred to Trust Status with effect from 1st March 2010 and then to be an Academy from 1st February 2013, so the asset is no longer recognised on the Council's balance sheet in accordance with the Council's accounting policies. Mexborough Science College has also transferred to be an Academy from 1st January 2015 and the asset is also no longer recognised on the Council's balance sheet. The unitary charge will continue to be paid by the Council over the remaining contract period with the liability shown between repayment of the finance lease liability, interest and unitary charge.

Waste Management PFI Contract

Barnsley, Doncaster and Rotherham jointly entered into a PFI contract with 3SE (Shanks, Scottish and Southern Energy) on the 30th March 2012. The contract is for the construction, development and operation of a new mechanical biological treatment plant (ITS facility) to dispose of the of the Councils' residual waste. The facility has a processing capacity of 250,000 tonnes p.a, and anaerobic digestion facility (AD facility) to generate power from gas emissions for use on site and produce a bio-compost for land remediation. The ITS AD facility is constructed on land at Bolton Road, Rotherham, this land was in the ownership of Rotherham MBC but was part disposed to Barnsley and Doncaster, based on 1/3rd equal shares.

The period of operation is 25 years from the Service Commencement Date which was 3rd July 2015. The local authorities have the option to extend the service element of the contract by a further 5 years. If this option is not exercised, the facility reverts to the ownership of the local authorities at the end of the 25 year contract at nil cost, otherwise it will revert after 30 years. The financing costs, operating costs and lifecycle replacement will be met through unitary payments payable by the three local authorities and third party revenue contributions.

Rotherham MBC, as lead authority, make the unitary payment initially and then recover the proportionate shares due from Barnsley and Doncaster respectively. 62% of the unitary payment increases annually by January's RPIX figure. The PFI asset and liability are shared 30% Barnsley, 40% Doncaster, and 30% Rotherham. This is considered a reasonable basis as it corresponds to each Council's share of the Guaranteed Minimum Tonnage.

Property, Plant and Equipment

The assets used to provide services at the Waste Management facility are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The Payments remaining to be made under the PFI contracts at 31st March 2017 are as follows: -

Breakdown of the Repayment of the Finance Lease Liability;

PFI Scheme	Within 1 year £'000	Within 2-5 years £'000	Within 6-10 years £'000	Within 11-15 years £'000	Within 16-20 years £'000	Within 21-25 years £'000	Total £'000
Sir Thomas Wharton College	787	3,891	4,062	6,596	1,745	0	**17,081**
Mexborough Science College	802	3,968	4,144	6,729	1,780	0	**17,423**
Waste Management PFI	363	542	1,722	3,109	5,625	6,335	**17,696**
Total	**1,952**	**8,401**	**9,928**	**16,434**	**9,150**	**6,335**	**52,200**

Breakdown of the Interest payments;

PFI Scheme	Within 1 year £'000	Within 2-5 years £'000	Within 6-10 years £'000	Within 11-15 years £'000	Within 16-20 years £'000	Within 21-25 years £'000	Total £'000
Sir Thomas Wharton College	666	2,324	2,191	1,166	87	0	**6,434**
Mexborough Science College	679	2,370	2,236	1,189	88	0	**6,562**
Waste Management PFI	2,435	9,471	11,130	9,585	6,635	1,636	**40,892**
Total	**3,780**	**14,165**	**15,557**	**11,940**	**6,810**	**1,636**	**53,888**

Breakdown of the remaining Unitary Charge;

Although the payments made to the contractor are described as unitary charge, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

PFI Scheme	Within 1 year £'000	Within 2-5 years £'000	Within 6-10 years £'000	Within 11-15 years £'000	Within 16-20 years £'000	Within 21-25 years £'000	Total £'000
Sir Thomas Wharton College	1,725	6,883	11,061	10,730	4,626	0	**35,025**
Mexborough Science College	1,760	7,021	11,282	10,944	4,719	0	**35,726**
Waste Management PFI	6,450	28,716	39,827	45,990	54,694	40,747	**216,424**

Total	**9,935**	**42,620**	**62,170**	**67,664**	**64,039**	**40,747**	**287,175**

39 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. The scheme is a Defined Benefit scheme administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based upon a percentage of members' pensionable salaries.

Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council's contribution to the Department for Children, Schools and Families in respect of teachers' retirement benefits was £6.35m (£6.25m in 2015/16), which represents 16.5% of teachers' pensionable pay (16.5% in 2015/16). In addition a further sum of £3.27m (£3.35m in 2015/16) was paid to former teachers representing the cost of added years and related increases. Amendments to the scheme came into force in 1997/98 under the Pensions Act 1995 making employers responsible for additional costs of the scheme.

NHS Pension Scheme

Public Health staff transferred into the Council on 1st April 2013. These staff are members of the NHS Pension Scheme. The scheme is a Defined Benefit scheme administered by NHS Pensions as a multi-employer scheme in which the Council's liability cannot be separated out. It provides staff with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based upon a percentage of members' pensionable salaries.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council's contribution to Public Health staff in respect of retirement benefits was £0.108m (£0.15m in 2015/16) which represents 14.3% of related pensionable pay.

40 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

Local Government Pension Scheme

The Council participates in the South Yorkshire Pension Scheme which is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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 Council is responsible for liabilities relating to the South Yorkshire Pension Fund, up to the date of transfer, relating to staff transferred to St Leger Homes of Doncaster Ltd (SLHD) which was formed on 1st October 2005 to provide housing management and other services on behalf of the Council and

Doncaster Children's Services Trust (DCST) which became operational on 1st October 2014 to provide children's services on behalf of the Council. Any surplus/deficit for SLHD and DCST is shown in their own respective accounts. The Council provides a guarantee for SLHD and DCST for the pension fund deficit which is included in the contingent liability note.

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

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
Current service cost	26,504	22,767
Past service costs	487	513
(gains)/loss from settlements and curtailments	1,266	(7,371)
Removal of accumulated balance of SLHD net pension liability	(2,287)	(7,311)
Removal of accumulated balance of DCST net pension liability	3,163	(3,163)
Financing and Investment Income and Expenditure		
Net Interest expense	12,213	12,238
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**41,346**	**17,673**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	21,322	(172,076)
Actuarial gains and losses arising on changes in demographic assumptions	0	(9,950)
Actuarial gains and losses arising on changes in financial assumptions	(72,731)	327,586
Other - Experience gains and losses	0	(8,305)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(51,409)**	**137,255**
Movement in the Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(13,286)	10,172
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	28,060	27,845

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit plans is as follows: -

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(1,314,460)	(1,576,487)
Fair value of plan assets	953,238	1,076,977
Net Liability arising from defined benefit obligation	**(361,222)**	**(499,510)**

Reconciliation of the Movement in the Fair Value of Scheme (Plan Assets)

Local Government Pension Scheme	**2015/16 £'000**	**2016/17 £'000**
Opening fair value of scheme assets	**937,946**	**953,238**
Removal of accumulated balance of SLHD plan assets	0	(35,438)
Removal of accumulated balance of DCST plan assets	0	(25,293)
Adjusted opening fair value of scheme assets	**937,946**	**892,507**
Interest Income	29,441	31,807
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(21,322)	172,076
- Other - Admin Expenses & Settlements	(437)	(2,493)
Contribution from employer	16,855	16,640
Contributions from employees into the scheme	6,901	6,487
Benefits paid	(38,380)	(40,047)
Closing balance at 31st March	**931,004**	**1,076,977**
Movement in SLHD plan assets	(3,059)	0
Movement in DCST plan assets	25,293	0
Closing balance at 31st March	**953,238**	**1,076,977**

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

Local Government Pension Scheme	**2015/16 £'000**	**2016/17 £'000**
Opening balance at 1st April	**(1,326,086)**	**(1,314,460)**
Removal of accumulated balance of SLHD scheme liabilities	0	42,749
Removal of accumulated balance of DCST scheme liabilities	0	28,456
Adjusted opening balance at 1 April	**(1,326,086)**	**(1,243,255)**
Current service cost	(26,504)	(22,767)
Interest cost	(41,654)	(44,045)
Contributions from scheme participants	(6,901)	(6,487)
Remeasurement (gains) and losses		
- Actuarial gains/losses arising from changes in demographic assumptions	0	9,950
- Actuarial gains/losses arising from changes in financial assumptions	72,731	(327,586)
- Other – Experience gains and losses	0	8,305
Past service cost	(50)	(99)
Losses/(gains) on curtailments	(1,266)	(2,467)
Benefits paid	38,380	40,047
Liabilities extinguished on settlement	0	11,917
Closing balance at 31st March	**(1,291,350)**	**(1,576,487)**
Movement in SLHD scheme liabilities	5,346	0
Movement in DCST scheme liabilities	(28,456)	0
Closing balance at 31st March	**(1,314,460)**	**(1,576,487)**

In October 2014 the Council made a one-off payment to the Pension Fund of £28.013m to cover future deficit liabilities for the period from 2014/15 to 2016/17. In line with the Council's accounting policies £5.603m was accounted for in 2014/15, £11.205m is accounted for in 2015/16 with the remainder (£11.205m) being offset against the pension liability on the balance sheet. In 2016/17, the pension reserve (note 24d, £499.510m) and the net pension liability (£499.510m) have been brought into line as the prepayment arrangements are accounted for in 2016/17.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2015/16 £'000	**2016/17 £'000**
Cash and cash equivalents	16,694	17,016
Equity Instruments:		
UK quoted	172,030	192,887
Overseas quoted	377,406	463,639
Bonds		
UK Government fixed	564	0
UK Government indexed	114,188	124,283
Overseas Government fixed	25,882	29,294
UK other	47,137	47,710
Overseas other	12,874	19,278
Property		
UK Direct	96,646	87,127
Property Funds	14,790	13,785
Alternatives		
Pooled Investment Vehicles	75,027	81,958
Total	**953,238**	**1,076,977**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been estimated by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates for the Council fund being based on the latest full valuation of the scheme as at 1st April 2017.

The significant assumptions used by the actuary have been: -

Beginning of period		**End of period**
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.0	Men	22.9
25.7	Women	25.7
	Longevity at 65 for future pensioners	
25.4	Men	25.1
28.5	Women	28.0
2.0%	Rate of inflation	2.3%
3.75%	Rate of increase in salaries	3.55%
2.0%	Rate of increase in pensions	2.3%
3.6%	Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of 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 credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	**Decrease in Assumption £'000**
Longevity (increase or decrease in 1 year)	31,007	(31,007)
Rate of inflation (increase or decrease by 0.1%)	32,152	(32,152)
Rate of salaries (increase or decrease by 0.1%)	5,292	(5,292)
Rate of pensions (increase or decrease by 0.1%)	32,152	(32,152)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(31,508)	31,508

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £43.749m expected contributions to the scheme in 2017/18. The estimated weighted average duration of the defined benefit obligation for scheme members is 20 years.

West Yorkshire Superannuation Fund

Payments in 2016/17 totalling £0.029m (£0.059m in 2015/16) were made to the West Yorkshire Superannuation Fund being the Council's share of payments to employees of the former West Riding County Council incurred as a result of the Local Government Reorganisation in 1974.

41 Contingent Liabilities

St Leger Homes of Doncaster Ltd Pension Liability

The Council has given an undertaking to assume responsibility for liabilities relating to the South Yorkshire Pension Fund relating to staff transferred to St Leger Homes of Doncaster Ltd which was formed on 1st October 2005 to provide housing management and other services on behalf of the Council. The actuary has assessed the deficit at £41.963m as at 31st March 2017. The Council considers it unlikely that this guarantee will be exercised so it is disclosed as a contingent liability in the Council's own accounts.

Doncaster Children's Services Trust Pension Liability

The Council has given an undertaking to assume responsibility for liabilities relating to the South Yorkshire Pension Fund relating to staff transferred to Doncaster Children's Services Trust which became operational on 1st October 2014 to provide children's services on behalf of the Council. The actuary has assessed the deficit at £17.186m as at 31st March 2017. The Council considers it unlikely that this guarantee will be exercised so it is disclosed as a contingent liability in the Council's own accounts.

Municipal Mutual Insurance Ltd (MMI)

MMI were the Council's insurer until their demise in 1992 when they ceased writing new business. A Scheme of Arrangement was set up with its creditors under which MMI continued to settle outstanding claims whilst they had sufficient funds to do so. In the eventuality that the company became insolvent then a clawback clause would be triggered with the Council liable to repay MMI. This Scheme of

Arrangement was triggered in November 2012 and so a levy was imposed on all scheme creditors, including the Council, who have been paid amounts in respect of scheme liabilities. An initial levy set at 15% by the administrators has been paid in 2013/14 with projected outcomes for a solvent run-off ranging anywhere between 9.5% and 28% at that time. However, in January 2016 MMI advised that due to volatile classes remaining uncertain the Levy range had been extended to be 15%-34%. Whilst a further Levy notice was issued in March 2016 for a further 10% repayment, the Council's provision has been set at 34%, being the upper limit as advised by MMI, totalling an outstanding amount of £0.951m. This contingent liability covers the remaining claims up to 100% (£5.844m).

Sterefibre stockpile

In Partnership with other Councils, Doncaster Council contracted for the treatment and disposal of a proportion of its residual waste. Some of the material produced from the waste has been successfully deployed but since the contractor went into administration in Autumn 2012, the majority of the material remains stockpiled at a site in Doncaster operated by a third party. The administrator has advised that contractually the ownership of the material has now been passed onto the third party. Doncaster Council served a planning enforcement notice on the site operator to remove the fibre by 30th October 2013 and Planning Committee subsequently agreed to extend the period for compliance to 30th October 2014 for the consideration of various options but the notice has not been complied with and the fibre remains on site. The Council has obtained external legal advice that confirms there is no basis for the third party to recover costs from the Council. Depending on a number of future events the Council may or may not need to act under its Default Powers to remove the material. If this is the case, the cost of removing and disposing of the material could be significant and it is possible that the full cost will not be recoverable. The value of any liability cannot be measured with sufficient reliability because it depends on the actions of the third party and subsequent decisions of the Planning Committee. A 6 day planning inquiry is to be heard later in 2017.

Doncaster Culture & Leisure Trust (DCLT) Pension Liability

The Council provides a third party guarantee for the DCLT pension deficit liability. The actuary has assessed this deficit to be in the order of at £5.19m as at 31st March 2017. The Council considers it unlikely that this guarantee will be exercised so this is disclosed as a contingent liability in the Council's own accounts.

42 Contingent Assets

Claims for Recovery of Tax

The Council is pursuing an outstanding claim against HMRC in respect of the recovery of landfill tax where material was put to certain uses by the landfill operator on site. The claim dates back to October 1996. The quantity and strength of the claim remains under review. There has been no change to our position during 2016/17.

43 Trust Funds

Trust Funds are held for specified purposes in which the Council has an interest but do not form part of the Council's finances. They are maintained by the Council and, where appropriate, invested by the Council as trustee either externally or in the consolidated loans and advances pool. Further details on the Trust can be obtained upon request.

44 Deferred Liabilities

These liabilities totalling £56.760m (£60.501m at 31st March 2016) are payable in a period exceeding 12 months and include the following: -

a) £6.513m (£8.302m at 31st March 2016) in respect of debt taken over from the former South Yorkshire County Council which by arrangement are payable over a repayment period ending 31st March 2021 and for which the Council's loan management rests with Rotherham MBC;

b) £50.247m (£52.199m at 31st March 2016) relating to PFI schemes' long term liabilities as disclosed in Note 16 and 38.

Housing Revenue Account

Comprehensive Income and Expenditure Account

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Part 6, Schedule 4, of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure (maintenance and administration) and how these are met by rents, subsidy and other income.

From the 1st October 2005, maintenance and administration of the Council's dwellings was transferred to St. Leger Homes of Doncaster Limited, an Arm's Length Management Organisation, limited by guarantee and wholly owned by the Council.

2015/16		Notes	2016/17	
£'000			£'000	£'000
	Expenditure			
9,719	Repairs and maintenance		11,330	
21,478	Supervision and management		20,327	
915	Rents, rates, taxes and other charges		770	
	Depreciation of Property, Plant & Equipment	8		
20,751	On dwellings		21,421	
780	On other assets		950	
11,296	Impairment of fixed assets	9	2,311	
(8,789)	Reversal of previous Impairment loss	9	(153,990)	
0	Amortisation of Intangible assets		16	
6	Debt management costs		9	
317	Movement in the allowance for bad debts		419	
56,473	**Total Expenditure**			**(96,437)**
	Income			
(74,870)	Dwelling rents (gross)		(74,329)	
(819)	Non-dwelling rents (gross)		(825)	
(327)	Charges for services and facilities		(569)	
(664)	Contributions towards expenditure		(444)	
(76,680)	**Total Income**			**(76,167)**
(20,207)	**Net cost of HRA Services as included in the whole authority Income and Expenditure Account**			**(172,604)**
760	HRA share of Corporate and Democratic Core		401	
(19,447)	**Net Income/(Cost) for HRA Services**			**(172,203)**
	HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account			
12,647	Gain or (loss) on sale of HRA non-current assets		9,896	
11,778	Interest payable and similar charges		11,802	
(95)	Interest receivable and similar income		(64)	
(1,037)	Capital Grants and Contributions receivable		(1,832)	
3,846	**(Surplus) or Deficit for the year on HRA services**			**(152,401)**

Movement on the HRA Statement

This statement identifies those amounts in addition to the HRA Income and Expenditure Account surplus or deficit for the year that are required by statute to be charged to or credited to the HRA Balance. The reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2015/16		Notes	2016/17	
£'000			**£'000**	**£'000**
(6,127)	**Balances on the HRA at the end of the previous year**			**(6,860)**
3,846	(Surplus) or deficit for the year on the HRA Income and Expenditure statement		(152,401)	
(4,579)	Adjustments between accounting basis and funding basis under statute (note10)		154,018	
(733)	Net (increase) or decrease before transfers to or from reserves		**1,617**	
(733)	(Increase) or decrease in year on the HRA			**1,617**
(6,860)	**Balance on the HRA at the end of the current year**			**(5,243)**

Notes to the Statement of Movement on the Housing Revenue Account Balance

1 The number and type of dwellings in the Council's housing stock

31st March 2016		31st March 2017
16,629	Houses and bungalows	16,589
2,410	Low-rise flats and maisonettes	2,350
1,401	Medium and high-rise flats	1,399
20,440	**Total**	**20,338**

2 Major Repairs Reserve (MRR)

2015/16 £'000		2016/17 £'000
(11,128)	Balance as at 1st April	(3,561)
(780)	Transfer Depreciation Non Dwellings to MRR	(966)
(20,751)	Transfer Depreciation Dwellings to MRR	(21,421)
29,098	Financing of capital expenditure	22,196
(3,561)	**Balance as at 31st March**	**(3,752)**

3 Rent arrears, excluding amounts collectable on behalf of other agencies

31st March 2016 £'000		31st March 2017 £'000
1,271	Former Tenants Rent Arrears	1,143
1,968	Current Tenants Rent Arrears	1,858
3,239	**Total**	**3,001**

The bad debt provision in respect of all un-collectable rent arrears was £1.663m (£1.737m in 2015/16). The aggregate balance sheet provision in respect of all un-collectable debts relating to the Housing Revenue Account was £1.825m (£1.926m in 2015/16).

4 Movement of Property, Plant & Equipment

2015/16 Total £'000		Council Dwellings £'000	Other Operational Land & Buildings £'000	Other Property, Plant & Equipment £'000	2016/17 Total £'000
	Cost or Valuation				
534,940	**At 1st April 2016**	**508,920**	**13,131**	**16,712**	**538,763**
43,196	Additions	24,026	900	11,099	**36,025**
(14,263)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(19,076)	(194)	2,363	**(16,907)**
(7,377)	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	153,910	65	0	**153,975**
(6,027)	De-recognition – disposals	(5,996)	(364)	(4,019)	**(10,379)**
(11,494)	De-recognition – other	(6,765)	(72)	(475)	**(7,312)**
(212)	Reclassifications within PPE	13,079	(73)	(13,006)	**0**
538,763	**At 31st March 2017**	**668,098**	**13,939**	**12,674**	**694,165**
	Accumulated Depreciation and Impairment				
(23,341)	**At 1st April 2016**	**(21,608)**	**(1,476)**	**(1,197)**	**(24,281)**
(21,531)	Depreciation charge	(21,421)	(500)	(450)	**(22,371)**
15,770	Depreciation & Impairment written out to the Revaluation Reserve	21,608	65	15	**21,688**
6,168	Depreciation & Impairment written out to the Surplus/Deficit on the Provision of Services	0	0	0	**0**
(1,356)	impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,964)	(244)	(88)	**(2,296)**
0	De-recognition – other	0	95	0	**95**
9	Reclassifications within PPE	(105)	14	91	**0**
(24,281)	**At 31st March 2017**	**(23,490)**	**(2,046)**	**(1,629)**	**(27,165)**
514,482	**Net Book Value as at 31st March 2017**	**644,608**	**11,347**	**11,045**	**667,000**

5 Vacant possession value of dwellings

The vacant possession value of dwellings within the HRA following annual revaluation as at 1st April 2016 was £1.540 billion. A difference arises between the vacant possession valuation £1.540 billion and the valuation used for balance sheet purposes of £631 million because the latter represents the social housing value of tenanted dwellings. The difference £0.909 billion indicates the economic cost to Government of providing Council Housing at less than open market rents.

6 Capital expenditure on land, houses and other property within the HRA and the sources of funding.

2015/16 £'000		2016/17 £'000
	Capital expenditure per asset classification:	
34,636	Council Dwellings	24,026
838	Other operational Land and Buildings	900
3,847	Vehicles Plant and equipment	605
3,875	Assets Under Construction	9,634
0	Community Assets	27
0	Surplus Assets	833
65	Intangible Assets	65
43,261		**36,090**
	Sources of funding:	
(32)	Useable Capital Receipts	(805)
(1,309)	Capital Grants and Contributions	(1,739)
(29,075)	Major Repairs Reserve	(22,050)
(9,172)	Direct revenue financing	(10,748)
(3,673)	Unsupported borrowing	(748)
(43,261)		**(36,090)**

7 Capital receipts from the disposals of land, houses and other property within the HRA

2015/16 £'000		2016/17 £'000
4,775	Houses (Council Dwellings)	6,607
95	Land	1,043
0	Other Property	51
4,870	**Total**	**7,701**

8 Depreciation charged to the HRA

2015/16 £'000		2016/17 £'000
20,751	Council Dwellings	21,421
500	Other Land and Buildings	500
280	Other PPE	450
21,531		**22,371**

9 Impairment charge to HRA.

2015/16 £'000		2016/17 £'000
9,622	Revaluation Loss on Council Dwellings	0
882	Revaluation Loss relating to non-Council Dwelling Assets	347
308	Impairment due to Council Dwelling demolition in year and proposed future	1,472
484	Consumption of Economic Benefit re Council Dwellings	492
(8,789)	Reversal of previous impairment loss re Council Dwellings	(153,990)
2,507		**(151,679)**

The regional adjustment factor, applied to ascertain the value of social housing stock, has increased to 41% compared to 31% which was used last year. This has meant all social housing stock has had a revaluation gain in year causing a material value of previous impairment losses to be reversed.

10 Revenue Expenditure Funded from Capital Under Statute

In 2016/17 and 2015/16 the costs to the HRA were nil.

Collection Fund

The account reflects the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate Collection Fund, which accounts for the income from Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. This income finances the net expenditure requirements of the authorities within the Doncaster Council area, including the Council itself, the South Yorkshire Joint Authorities and Parish Councils. The Collection Fund accounts are prepared on an accruals basis. There is no requirement for a separate Collection Fund Balance Sheet and Collection Fund balances are consolidated into the Council's balance sheet.

Collection Fund Account

2015/16 £'000		**Notes**	**2016/17 £'000**
	Amounts required by statute to be credited to the Collection Fund		
(108,767)	Council Tax (showing the amount receivable, net of benefits discounts for prompt payments and transitional relief)	1	(114,418)
(96,006)	Non-Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs)	2	(94,885)
(2,381)	Contribution towards previous year's Collection Fund deficit - Non-Domestic Rates		(1,273)
(207,154)	**Total Income**		**(210,576)**
	Amounts required by statute to be debited to the Collection Fund		
	Precepts and demands from major preceptors and the authority - Council Tax	3	
88,602	- Doncaster Council		93,691
11,220	- South Yorkshire Police Authority		11,804
5,022	- South Yorkshire Fire and Rescue Authority		5,212
	Shares of Non-Domestic Rating income to major preceptors and the (billing) authority - Non-Domestic Rates		
45,789	- Doncaster Council		47,709
934	- South Yorkshire Fire and Rescue Authority		974
46,723	Payment with respect to central share (including allowable deductions) of the Non-Domestic Rating income to be paid to central government by billing authorities		48,683
680	Transitional protection payments Non-Domestic Rates		119
	Impairment of debts/appeals for Council Tax		
563	- write-offs of uncollectable amounts		873
466	- allowance for impairment		(436)
	Impairment of debts/appeals for Non-Domestic Rates:		
2,381	- write-offs of uncollectable amounts		2,590
(1,620)	- allowance for impairment		(2,939)
374	Charge to General Fund for allowable collection costs for Non-Domestic Rates		374
2,968	Contributions towards previous year's Collection Fund surplus for Council Tax		3,346
204,102	**Total Expenditure**		**212,000**

2015/16 £'000		Notes	2016/17 £'000
	Opening fund balance:		
(6,160)	- Council Tax		(6,085)
4,114	- Non-Domestic Rates		989
	Closing fund balance:		
(6,085)	- Council Tax		(6,013)
989	- Non-Domestic Rates		2,340
	Movement on fund balance:		
75	- Council Tax		72
(3,125)	- Non-Domestic Rates		1,351
	Accumulated surplus/deficit of the Collection Fund (Council Tax) is attributable to the following:-		
(5,134)	- Doncaster Council		(5,073)
(656)	- South Yorkshire Police Authority		(648)
(295)	- South Yorkshire Fire and Rescue Authority		(292)
(6,085)			**(6,013)**
	Accumulated surplus/deficit of the Collection Fund (Non-Domestic Rates) is attributable to the following:-		
485	- Doncaster Council		1,147
494	- Central Government		1,170
10	- South Yorkshire Fire and Rescue Authority		23
989			**2,340**

Notes to the Collection Fund Account

1 Council Tax

Income from Council Tax is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands using estimated values as at 1st April 1991. The Tax Base calculation is based upon the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for the Local Council Tax Support (LCTS) scheme, discounts and exemptions. Individual charges are calculated by estimating the amount of income required to fund the demands on the Collection Fund and then dividing this by the Tax Base (see note 3).

The table below shows the number of properties in each band and the equivalent number of band D properties: -

Band	Number of Dwellings in the Band	Less LCTS, Exemptions, Discounts & Other Changes	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwelling	Council Tax 2016/17 (Excluding Parishes) £
A	79,582	(26,909)	52,673	6/9	35,115	940.75
B	23,996	(3,660)	20,336	7/9	15,817	1,097.52
C	14,494	(1,748)	12,746	8/9	11,330	1,254.32
D	8,764	(642)	8,122	1	8,122	1,411.11
E	4,277	(263)	4,014	11/9	4,906	1,724.70
F	1,909	(74)	1,835	13/9	2,651	2,038.27
G	852	(22)	830	15/9	1,384	2,351.86
H	125	(60)	65	18/9	130	2,822.22
Total	133,999	(33,378)	100,621		79,455	
Less allowance for non-collection					(2,384)	
Tax base for the calculation of Council Tax					77,071	

Reconciliation of Council Tax income to the tax base: -

2015/16		2016/17
78,071	No of Band D properties	79,455
£1,359.57	Band D rate	£1,411.11
£1,885,611	Parish Precepts	£1,952,039
£'000		**£'000**
(108,029)	Estimated Income	(114,072)
(738)	In year changes	(346)
(108,767)	Income	(114,418)

The in-year changes in 2016/17 are due to an increase in the number of band D properties to 77,270, compared with 77,071 used in the calculation of the budget. This is mainly attributable to 523 fewer Local Council Tax Scheme discounts being awarded and lower than expected growth of 324 dwellings.

2 NNDR

Under statutory arrangements, NNDR are 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 2016/17 the Standard Rate was 49.7p (49.3p in 2015/16) and the Small Business Rate was 48.4p (48.0p in 2015/16).

Since 1st April 2013 and the introduction of the Local Government Finance Act 2012, business rates are shared between Central and Local government. 50% of local business rates income is retained locally (Doncaster retains 49% and passes on 1% to the South Yorkshire Fire and Rescue Authority) and 50% is passed to Central Government. The local retention of business rates model calculates the difference between each Council's individual business rate baseline and their calculated baseline funding level and either a top up or a tariff will be paid to Councils from Central Government. The emphasis of these reforms is to move Local Government funding away from a needs based system to one based on business rates. Central Government have made it clear there will be no updating of needs in this new system until at least 2020. Doncaster Council received top-up funding of £27.197m, which represents the difference between our individual business rate baseline funding level of £42.693m and the calculated baseline level of £69.890m.

The Business Rates collectable after reliefs and provisions was £94.885m in 2016/17 (£96.006m in 2015/16) and was based on a rateable value for the Council's area of £234,897,126 as at 24th March 2017 (£233,555,877 as at 30th March 2016). Full revaluations are carried out every five years and the next revaluation was due in April 2015, however Central Government announced in October 2012 the decision to postpone the next business rates revaluation until 2017. The Government is continuing to develop the Business Rates system for 100% retention by Local Government in 2019/20, with a number of consultations being released during 2016/17.

3 Precepts and Demands

Expenditure requirements financed by the Collection Fund: -

	Net Budget Requirement	Band D Equivalent Dwellings	Band D Council Tax
	£'000		**£**
Doncaster Council Demand *	91,739	77,071	1,190.32
S Y Police Authority	11,804	77,071	153.16
S Y Fire and Rescue Authority	5,212	77,071	67.63
Total	**108,755**		**1,411.11**
* Excludes Parish Precepts of £1,952,039			

Group Accounts

The Core Financial Statements

Group Comprehensive Income and Expenditure Statement

2015/16				2016/17		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
160,332	(62,743)	97,589	Adults, Health & Wellbeing	154,638	(75,530)	79,108
49,034	(4,190)	44,844	Council Wide Budgets	14,846	(458)	14,388
108,849	(101,569)	7,280	Finance & Corporate Services	107,243	(99,211)	8,032
213,257	(153,841)	59,416	Learning & Opportunities: Children & Young People	233,751	(149,629)	84,122
71,871	(19,174)	52,697	Regeneration & Environment	80,218	(22,830)	57,388
58,935	(76,680)	(17,745)	Housing Revenue Account	(94,132)	(76,543)	(170,675)
662,278	**(418,197)**	**244,081**	**Net Cost of Services**	**496,564**	**(424,201)**	**72,363**
2,169	0	2,169	Parish Council Precepts	1,952	0	1,952
2,231	0	2,231	Payments to the Government Housing Capital Receipts Pool	2,491	0	2,491
21,690	0	21,690	(Gains) / Losses on the disposal of non-current assets	21,987	0	21,987
26,090	**0**	**26,090**	**Other operating expenditure**	**26,430**	**0**	**26,430**
20,870	0	20,870	Interest payable & similar charges	21,745	0	21,745
12,937	0	12,937	Pensions interest cost & expected return on pensions Assets	12,884	0	12,884
0	(1,674)	(1,674)	Interest receivable & similar income	0	(1,613)	(1,613)
5	(604)	(599)	Income & expenditure in relation to investment properties & changes in their fair value	5,320	(177)	5,143
21,797	(22,871)	(1,074)	(Surplus) / Deficit on Trading Undertakings not in Net Cost of Services	12,704	(14,590)	(1,886)
55,609	**(25,149)**	**30,460**	**Financing and investment income and expenditure**	**52,653**	**(16,380)**	**36,273**
0	(91,038)	(91,038)	Council tax income	0	(96,448)	(96,448)
0	(46,372)	(46,372)	Non domestic rates redistribution	0	(46,574)	(46,574)
0	(97,218)	(97,218)	Non-ring fenced Government grants	0	(85,297)	(85,297)
0	(42,047)	(42,047)	Capital grants and contributions	0	(35,902)	(35,902)
0	**(276,675)**	**(276,675)**	**Taxation and non-specific grant income**	**0**	**(264,221)**	**(264,221)**
743,977	**(720,021)**	**23,956**	**(Surplus) / Deficit on Provision of Services**	**575,647**	**(704,802)**	**(129,155)**
		(38,102)	(Surplus) / Deficit on revaluation of non-current assets			(30,693)
		(57,173)	Actuarial (gains) / losses on pension assets / liabilities			157,636
		0	(Surplus) / Deficit on revaluation of available for sale financial assets			(33)
		(95,275)	**Other Comprehensive Income and Expenditure**			**126,910**
		(71,319)	**Total Comprehensive Income and Expenditure**			**(2,245)**

Group Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	(Group) Share of Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2016 brought forward	**(69,545)**	**(6,860)**	**(12,502)**	**(3,561)**	**(8,917)**	**(101,385)**	**(478,566)**	**(579,951)**	**19,139**	**(560,812)**
Movement in reserves during 2016/17										
Total Comprehensive Income and Expenditure	**21,073**	**(152,401)**	**0**	**0**	**0**	**(131,328)**	**106,529**	**(24,799)**	**22,554**	**(2,245)**
Adjustments between accounting basis and funding basis under regulations	(16,904)	154,018	1,309	(191)	(2,852)	**135,380**	**(135,380)**	**0**	0	**0**
Other Adjustments	(93)	0	0	0	93	**0**	**0**	**0**	0	**0**
(Increase) / Decrease in 2016/17	**4,076**	**1,617**	**1,309**	**(191)**	**(2,759)**	**4,052**	**(28,851)**	**(24,799)**	**22,554**	**(2,245)**
Balance at 31st March 2017 carried forward	**(65,469)**	**(5,243)**	**(11,193)**	**(3,752)**	**(11,676)**	**(97,333)**	**(507,417)**	**(604,750)**	**41,693**	**(563,057)**

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	(Group) Share of Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2015 brought forward	**(79,664)**	**(6,127)**	**(10,023)**	**(11,128)**	**(12,487)**	**(119,429)**	**(392,541)**	**(511,970)**	**22,477**	**(489,493)**
Movement in reserves during 2015/16										
Total Comprehensive Income and Expenditure	**17,684**	**3,846**	**0**	**0**	**0**	**21,530**	**(89,511)**	**(67,981)**	**(3,338)**	**(71,319)**
Adjustments between accounting basis and funding basis under regulations	(7,433)	(4,579)	(2,479)	7,567	3,438	**(3,486)**	**3,486**	**0**	0	**0**
Other Adjustments	(132)	0	0	0	132	**0**	**0**	**0**	0	**0**
(Increase) / Decrease in 2015/16	**10,119**	**(733)**	**(2,479)**	**7,567**	**3,570**	**18,044**	**(86,025)**	**(67,981)**	**(3,338)**	**(71,319)**
Balance at 31st March 2016 carried forward	**(69,545)**	**(6,860)**	**(12,502)**	**(3,561)**	**(8,917)**	**(101,385)**	**(478,566)**	**(579,951)**	**19,139**	**(560,812)**

Group Balance Sheet

31st March 2016			Notes	31st March 2017	
£'000	£'000			£'000	£'000
1,383,542		Property, Plant & Equipment	c	1,553,348	
10,258		Heritage Assets		10,163	
9,031		Investment Property		3,725	
3,831		Intangible Assets		4,311	
2,800		Long Term Investments		7,838	
7,744		Long Term Debtors		7,605	
	1,417,206	**Long Term Assets**			**1,586,990**
807		Current Intangible Assets		540	
25,029		Short Term Investments		17,124	
6,000		Assets Held for Sale		1,500	
3,371		Inventories	d	2,323	
70,736		Short Term Debtors	e	75,949	
19,714		Cash & Cash Equivalents	f	10,770	
	125,657	**Current Assets**			**108,206**
(12,781)		Cash & Cash Equivalents	f	(15,372)	
(38,284)		Short Term Borrowing		(22,100)	
(46,683)		Short Term Creditors	g	(44,039)	
(1,202)		Provisions		(954)	
(8,897)		Revenue Grants Receipts in Advance		(1,921)	
(699)		Capital Grants Receipts in Advance		(3,851)	
	(108,546)	**Current Liabilities**			**(88,237)**
(18,977)		Provisions		(14,891)	
(410,959)		Long Term Borrowing		(428,911)	
(60,501)		Deferred Liabilities		(56,760)	
(2,707)		Capital Grants Receipts in Advance		(2,137)	
(380,361)		Liability related to defined benefit pension scheme	i	(541,203)	
	(873,505)	**Long Term Liabilities**			**(1,043,902)**
	560,812	**Net Assets**			**563,057**
101,385		Usable Reserves		97,333	
459,427		Unusable Reserves		465,724	
	560,812	**Total Reserves**			**563,057**

Group Cash Flow Statement

31st March 2016 £'000		31st March 2017 £'000
(21,530)	Net surplus or (deficit) on the provision of services	131,328
116,535	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(65,852)
(44,338)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(46,220)
50,667	**Net cash flows from Operating Activities**	**19,256**
(49,959)	**Investing Activities**	**(27,995)**
5,968	**Financing Activities**	**(2,796)**
6,676	Net increase or (decrease) in cash and cash equivalents	(11,535)
257	Cash and cash equivalents at the beginning of the reporting period	6,933
6,933	**Cash and cash equivalents at the end of the reporting period (see Note f)**	**(4,602)**

Notes to the Group Core Financial Statements

a Details of the Group

Subsidiary – St Leger Homes of Doncaster Limited (SLHD)

This is a company limited by guarantee and does not have any share capital. The Council is the sole member. The company was formed on 1st October 2005 to provide housing management and other services on behalf of the Council.

b Accounting Policies

Statement of Accounting Policies

The group accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances as those for the Council. As far as can be ascertained, there are no material differences between the accounting policies of the group entity and the Council which require realignment.

c Property, Plant and Equipment

Details for the Council are shown in note 12. Details for SLHD are shown below: -

		Restated
	Year Ended 31st March 2017	**Year Ended 31st March 2016**
	£000	**£000**
Cost		
At 1 April 2016	1,205	1,205
Additions	0	0
At 31 March 2017	1,205	1,205
Depreciation		
At 1 April 2016	439	198
Charge for the year	241	241
At 31 March 2017	680	439
Net Book Value	**525**	**766**

d Inventories

2016/17	**Consumable Stores £'000**	**Transport £'000**	**General Materials £'000**	**Total £'000**
Balance outstanding at start of year	**3,178**	**134**	**59**	**3,371**
Purchases	7,572	1,050	2,877	**11,499**
Recognised as an expense in the year	(8,602)	(1,032)	(2,868)	**(12,502)**
Written off balances	(24)	(21)	0	**(45)**
Balance outstanding at year-end	**2,124**	**131**	**68**	**2,323**

Comparative 2015/16	**Consumable Stores £'000**	**Transport £'000**	**General Materials £'000**	**Total £'000**
Balance outstanding at start of year	**1,212**	**172**	**67**	**1,451**
Purchases	8,282	964	2,742	**11,988**
Recognised as an expense in the year	(6,294)	(990)	(2,744)	**(10,028)**
Written off balances	(22)	(12)	(6)	**(40)**
Balance outstanding at year-end	**3,178**	**134**	**59**	**3,371**

e Debtors

	31st March 2016 £'000	31st March 2017 £'000
Debtors		
Central Government bodies	11,790	12,049
Other local authorities	1,751	1,702
NHS bodies	4,763	6,800
Public corporations and trading funds	48	22
Other entities and individuals	43,716	35,644
Sub Total	**62,068**	**56,217**
Payments in advance	8,668	19,732
Total	**70,736**	**75,949**

f Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements: -

	31st March 2016 £'000	31st March 2017 £'000
Cash held by the Group	25	29
Bank balance / (overdraft)	(9,992)	(11,131)
Cash investments regarded as cash equivalents (bank current accounts and short-term deposits with bank, building societies and other banking sector)	16,900	6,500
Total Cash and Cash Equivalents	**6,933**	**(4,602)**

g Creditors

	31st March 2016 £'000	31st March 2017 £'000
Creditors		
Central Government bodies	(11,742)	(7,255)
Other local authorities	(1,852)	(3,099)
NHS bodies	(2,034)	(1,591)
Public corporations and trading funds	(8)	(8)
Other entities	(25,432)	(26,499)
Sub Total	**(41,068)**	**(38,452)**
Receipts in Advance	(5,615)	(5,587)
Total	**(46,683)**	**(44,039)**

h Officers' Remuneration

Senior Officer Remuneration

Details for the Council are shown in note 12. Details for SLHD are shown below: -

- **Remuneration of directors**

	Restated Year Ended 31st March 2016	Year Ended 31st March 2017
	£000	£000
Members of the Board of Directors		
Directors' emoluments	20	19
None of the Directors are members of the defined benefit pension scheme	0	0
Members of the Executive Management Team		
The Executive Management Team, including the Chief Executive Officer, received emoluments as follows:		
Aggregate emoluments (wages and salary) payable to the Executive Management Team. (Including pension contributions. No benefits in kind were received.)	429	419

The Group's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions), expressed in bands of £5,000, is as below: -

2015/16			Salary Banding	2016/17		
Group	Schools	Total	£	Group	Schools	Total
32	31	63	50,000 - 54,999	18	20	38
25	36	61	55,000 - 59,999	18	28	46
19	22	41	60,000 - 64,999	18	11	29
8	8	16	65,000 - 69,999	4	11	15
2	8	10	70,000 - 74,999	1	10	11
1	4	5	75,000 - 79,999	0	4	4
3	4	7	80,000 - 84,999	4	2	6
2	0	2	85,000 - 89,999	3	1	4
8	1	9	90,000 - 94,999	8	1	9
1	0	1	95,000 - 99,999	1	0	1
1	0	1	100,000 - 104,999	0	0	0
0	0	0	105,000 - 109,999	0	0	0
0	0	0	110,000 - 114,999	0	0	0
1	0	1	115,000 - 119,999	1	0	1
0	0	0	120,000 -124,999	0	0	0
0	0	0	125,000 - 214,999	0	0	0
1	0	1	215,000 - 219,999	0	0	0
104	**114**	**218**	**Total**	**76**	**88**	**164**

The table above excludes the senior employees and posts shown above, whose remuneration for 2015/16 and 2016/17 is shown in the senior officer remuneration analysis. The inclusion of termination payments has had the effect of certain employees being in a higher band for 2015/16 and 2016/17 than would otherwise be the case.

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The information does not include any costs relating to schools.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£0 - £20,000	15	22	104	104	119	126	964,943	892,054
£20,001 - £40,000	1	5	20	23	21	28	544,670	726,591
£40,001 and above	0	0	4	2	4	2	335,300	126,014
Total	**16**	**27**	**128**	**129**	**144**	**156**	**1,844,913**	**1,744,659**

i Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers the Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

Local Government Pension Scheme

The Group participates in the South Yorkshire Pension Scheme which is a funded defined benefit final salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Group 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 Council is responsible for liabilities relating to the South Yorkshire Pension Fund, up to the date of transfer, relating to staff transferred to SLHD and Doncaster Children's Services Trust (DCST) which became operational on 1st October 2014 to provide children's services on behalf of the Council. Any surplus/deficit for SLHD and DCST is shown in their own respective accounts. The Council provides a guarantee for SLHD and DCST for the pension fund deficit which is included in the contingent liability note.

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

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
Current service cost	30,405	26,568
Past service costs	581	615
(gains)/loss from settlements and curtailments	1,290	(7,371)
Removal of accumulated balance of SLHD net pension liability	(2,287)	(7,311)
Removal of accumulated balance of DCST net pension liability	3,163	(3,163)
Financing and Investment Income and Expenditure		
Net Interest expense	12,937	12,884
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**46,089**	**22,222**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	23,590	(190,006)
Actuarial gains and losses arising on changes in demographic assumptions	0	(11,038)
Actuarial gains and losses arising on changes in financial assumptions	(80,763)	362,046
Other - Experience gains and losses	0	(3,366)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(57,173)**	**157,636**
Movement in the Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(15,712)	7,999
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	30,377	30,221

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows: -

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(1,426,369)	(1,733,702)
Fair value of plan assets	1,046,008	1,192,499
Net Liability arising from defined benefit obligation	**(380,361)**	**(541,203)**

Reconciliation of the Movement in the Fair Value of Scheme (Plan Assets)

Local Government Pension Scheme	**2015/16 £'000**	**2016/17 £'000**
Opening fair value of scheme assets	**1,028,103**	**1,046,008**
Removal of accumulated balance of SLHD plan assets	0	(35,438)
Removal of accumulated balance of DCST plan assets	0	(25,293)
Adjusted opening fair value of scheme assets	**1,028,103**	**985,277**
Interest Income	32,538	35,174
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(23,590)	190,006
- Other - Admin Expenses & Settlements	(505)	(2,565)
Contribution from employer	19,172	19,016
Contributions from employees into the scheme	8,006	7,654
Benefits paid	(39,950)	(42,063)
Closing balance at 31st March	**1,023,774**	**1,192,499**
Movement in SLHD plan assets	(3,059)	0
Movement in DCST plan assets	25,293	0
Closing balance at 31st March	**1,046,008**	**1,192,499**

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

Local Government Pension Scheme	**2015/16 £'000**	**2016/17 £'000**
Opening balance at 1st April	**(1,438,720)**	**(1,426,369)**
Removal of accumulated balance of SLHD scheme liabilities	0	42,749
Removal of accumulated balance of DCST scheme liabilities	0	28,456
Adjusted opening balance at 1 April	**(1,438,720)**	**(1,355,164)**
Current service cost	(30,405)	(26,568)
Interest cost	(45,475)	(48,058)
Contributions from scheme participants	(8,006)	(7,654)
Remeasurement (gains) and losses		
- Actuarial gains/losses arising from changes in demographic assumptions	0	11,038
- Actuarial gains/losses arising from changes in financial assumptions	80,763	(362,046)
- Other – Experience gains and losses	0	3,366
Past service cost	(76)	(129)
Losses/(gains) on curtailments	(1,290)	(2,467)
Benefits paid	39,950	42,063
Liabilities extinguished on settlement	0	11,917
Closing balance at 31st March	**(1,403,259)**	**(1,733,702)**
Movement in SLHD scheme liabilities	5,345	0
Movement in DCST scheme liabilities	(28,456)	0
Closing balance at 31st March	**(1,426,369)**	**(1,733,702)**

In October 2014 the Council made a one-off payment to the Pension Fund of £28.013m to cover future deficit liabilities for the period from 2014/15 to 2016/17. In line with the Council's accounting policies £5.603m was accounted for in 2014/15, £11.205m is accounted for in 2015/16 with the remainder (£11.205m) being offset against the pension liability on the balance sheet. In 2016/17, the pension reserve (note 24d, £499.510m) and the net pension liability (£499.510m) have been brought into line as the prepayment arrangements are accounted for in 2016/17.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2015/16 £'000	**2016/17 £'000**
Cash and cash equivalents	18,317	18,841
Equity Instruments:		
UK quoted	188,757	213,577
Overseas quoted	414,152	513,371
Bonds		
UK Government fixed	601	0
UK Government indexed	125,302	137,614
Overseas Government fixed	28,405	32,436
UK other	51,720	52,828
Overseas other	14,145	21,346
Property		
UK Direct	106,053	96,473
Property Funds	16,228	15,264
Alternatives		
Pooled Investment Vehicles	82,328	90,749
Total	**1,046,008**	**1,192,499**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been estimated by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates for the Group fund being based on the latest full valuation of the scheme as at 1st April 2017.

The significant assumptions used by the actuary have been: -

Beginning of period		**End of period**
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.0	Men	22.9
25.7	Women	25.7
	Longevity at 65 for future pensioners	
25.4	Men	25.1
28.5	Women	28.0
2.0%	Rate of inflation	2.3% Council 2.2% SLHD
3.75%	Rate of increase in salaries	3.55% Council 3.45% SLHD
2.0%	Rate of increase in pensions	2.3% Council 2.2% SLHD
3.6%	Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of 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 credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	**Decrease in Assumption £'000**
Longevity (increase or decrease in 1 year)	33,913	(33,913)
Rate of inflation (increase or decrease by 0.1%)	36,448	(36,448)
Rate of salaries (increase or decrease by 0.1%)	6,394	(6,394)
Rate of pensions (increase or decrease by 0.1%)	36,448	(36,448)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(35,689)	35,689

Impact on the Group's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Group anticipates paying £46.057m expected contributions to the scheme in 2017/18. The estimated weighted average duration of the defined benefit obligation for scheme members is 20 years.

West Yorkshire Superannuation Fund

Payments in 2016/17 totalling £0.029m (£0.059m in 2015/16) were made to the West Yorkshire Superannuation Fund being the Group's share of payments to employees of the former West Riding County Council incurred as a result of the Local Government Reorganisation in 1974.

Glossary

Accounting Period
The period of time covered by the accounts is normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

Accounting Policies
These are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

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.

Asset
An asset is a resource controlled by the Council as a result of past events from which future economic benefits or service potential is expected to flow to the Council.

- A current asset is an amount which is expected to be realised within 12 months.
- A non-current asset is an amount which is expected to be realised after more than 12 months.

Budgets
A statement of the Council's forecast spend, i.e. net revenue expenditure for the year.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

Capital Financing
These are funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Receipts
The proceeds from the disposal of land or other Property, Plant & Equipment. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government and up to 4% of the balance of receipts can be used to fund revenue expenditure.

Capitalisation
Capitalisation is the means by which the Department for Communities and Local Government, exceptionally, permits local authorities to treat revenue costs as capital costs. This means that these costs can be funded from capital, including by borrowing or use of capital receipts, and enables authorities to meet these costs over a number of years. Capitalisation is a relaxation of accounting convention, that revenue costs should be met from revenue resources. It also permits authorities to borrow for revenue purposes, with implications for the levels of public sector borrowing. As such, capitalisation is strictly controlled and subject to an application process, with applications assessed against clear criteria.

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.

Chartered Institute of Public Finance and Accountancy ('CIPFA')
The Chartered Institute of Public Finance and Accountancy is the professional body for people in public finance.

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
These are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks, historic buildings, museum exhibits and works of art.

Corporate and Democratic Core
The corporate and democratic core (CDC) comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
A banded property tax, based on assessed property values at 1st April 1991, that is levied on domestic properties.

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.

Creditor
Amount owed by the Council for works done, goods received or services rendered within the accounting period but for which payment has not been made by the end of that accounting period.

Debtor
Amount owed to the Council for works done, goods received or services rendered within the accounting period but for which payment has not been received by the end of that accounting period.

Dedicated Schools Grant ('DSG')
A ring-fenced grant for schools paid by the Department for Education (DfE) to the Council.

Defined Benefit Scheme
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

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 the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

De-Recognition
The process applied to assets that are no longer deemed to be controlled by the Council, either by sale, demolition or any other form of disposal.

Donated Assets
Assets that are received or acquired as gifts from other entities.

Earmarked Reserve
A sum set aside in a reserve for a specific purpose.

Equity
The Council's value of total assets less total liabilities.

Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

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

Finance Lease
A method of acquiring non-current assets where under the lease agreement all the risks and rewards of ownership of a fixed asset are substantially transferred to the Council, in return for rental payments to the legal owner of the asset.

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

General Fund Balances
These are accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce the Council Tax, or be held for use in future years.

General Fund Services
This comprises all services provided by the Council with the exception of services relating to the provision of local Council housing which is accounted for in the Housing Revenue Account. The net cost of General Fund services is met by Council Tax, Government grants and National Non-Domestic Rates.

Government Grants
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Assets
Heritage assets are held and maintained by the Council principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities.

Historic Cost
This represents the original cost of acquisition, construction or purchase of a non-current asset.

Housing Benefits
A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central Government.

Housing Revenue Account ('HRA')
This account includes all revenue expenditure and income relating to the provision, maintenance and administration of Council housing. It is a statutory requirement that the account be maintained separately ('ring-fenced') from General Fund services.

Impairment
A reduction in the value of a fixed asset not caused by general changes in market values, e.g. obsolescence or physical damage.

Infrastructure Assets
These are assets where ownership cannot be transferred and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and drainage facilities.

Intangible Assets
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

International Financial Reporting Standards ('IFRS')
International Financial Reporting Standards are principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board ('IASB').

Investments
A long-term investment is an investment that is being held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can be clearly demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Liability
A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources. A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

Liquid Resources
Current asset investments that are readily disposable by the Council without disrupting its business and are either: -

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

Local Authority (Scotland) Accounts Advisory Committee ('LASAAC')
The CIPFA/LASAAC Local Authority Code Board is established as a standing committee of CIPFA and LASAAC for the purpose of preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting.

Long-Term Contract
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

Major Repairs Allowance
A revenue grant received as part of the Council's Housing Subsidy used to finance major housing repairs.

Materiality
The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision ('MRP')
This is the minimum amount that must be charged to the Council's revenue account each year to provide for the repayment of loans used to finance capital expenditure.

National Non-Domestic Rates ('NNDR')
These are often referred to as Business Rates and are a levy on business properties. NNDR are collected by the Council and paid into their Collection Fund. This amount is then distributed 49% to the Council's General Fund, 1% to the SY 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.

Net Book Value ('NBV')
The amount at which Property, Plant & Equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Expenditure
Gross expenditure less specific grants and income for charging for services.

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 to be incurred in realising the asset.

Non-Current Assets
These are tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

Non-Distributed Costs
These are overheads for which no user benefits and as such are not apportioned to services.

Operating Lease
A lease other than a finance lease. This is a method of financing assets, which allows the Council to use but not own an asset in exchange for rental payments but where the risks and rewards of ownership are not substantially transferred.

Operational Assets
These are non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a responsibility.

Post Balance Sheet Events
Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed and authorised for issue by the responsible financial officer.

Precept
The proportion of total Council Tax that is due to local parishes and various authorities, e.g. the Police, Fire and Rescue Authorities and which is collected on their behalf by the Council.

Prior Year Adjustments
Material adjustments, applicable to prior years and arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

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 & Equipment
These are tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

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

Public Works Loan Board ('PWLB')
A Government agency that provides long-term loans to local authorities at interest rates lower than prevailing market rates. The Council is able to borrow a proportion of its capital financing requirement from this source.

Rateable Value
The annual assumed rental of a hereditament, which is used for NNDR purposes.

Recharges
The transfer of costs within the Council from one account to another to reflect work undertaken on behalf of another service.

Related Party
For the Council's purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

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
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

Residual Value
The net realisable value of an asset at the end of its useful life.

Retail Price Index Excluding Mortgage Interest Payments ('RPIX')
The RPIX is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a basket of retail goods and services equivalent to the all items Retail Price Index (RPI) excluding mortgage interest payments.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Records unrealised revaluation gains arising (since 1st April 2007) from holding non-current assets.

Revenue Contributions
A method of financing capital expenditure through the Comprehensive Income and Expenditure Statement.

Revenue Expenditure
Expenditure on the day-to-day running costs of services, e.g. employees, premises, supplies and services.

Revenue Support Grant ('RSG')
This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

Ring Fencing
This refers to the statutory requirement that certain accounts such as the Housing Revenue Account must be maintained separately from the General Fund services.

Service Reporting Code of Practice (‘SeRCOP’)
The Service Reporting Code of Practice is published by the Chartered Institute of Public Finance and Accountancy (‘CIPFA’) and provides guidance for accounting and defines the cost data for performance indicators.

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.

Trust Funds
Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

Useful Life
The period over which the Council will derive benefits from the use of a fixed asset.

Independent auditor’s report to the members of Doncaster Metropolitan Borough Council

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Doncaster Metropolitan Borough Council

27 July 2017

To the Chair and Members of the AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2017 TO 4 JULY 2017

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period April 2017 to 4 July 2017, and shows this in the context of the audit plan for the year. The report includes details on the implementation of internal audit recommendations. It also provides details on performance information, incorporating an update on the section's Quality Assurance Improvement Plan (QAIP) which ensures compliance with the Public Sector Internal Audit Standards.

2. The attached report is in four sections:

   Section 1. The Audit Plan / Revisions to the Plan

   Section 2. Audit Work Undertaken During the Period

   Section 3. Implementation of Audit Recommendations

   Section 4. Internal Audit Performance

3. A summary of the main points from each of the sections is provided in the following paragraphs:

Section 1: The Audit Plan / Revisions to the Plan

4. Three new jobs have been added to the plan and one grant review is being removed as it no longer requires an audit. The changes are in response to emerging risks and concerns. Current progress in delivering the audit plan is commented in more details within Section 2 of this report.

Section 2: Audit Work Undertaken During the Period

5. Internal Audit is currently experiencing a high and almost unprecedented level of investigative work, in response to requests from management. This work is important as it helps to address weaknesses and potential errors and/or irregularities, and Internal Audit's support is generally highly regarded in these circumstances. There are currently xx ongoing investigations. Details of the work being carried out are included in the report.

6. The exceptionally high level of responsive work and a lower level of audit resources than previously available within the service, means there is a

negative impact on achievement of the planned work. In the first quarter of the year 15% of the planned work has been delivered, when normally 25% could be expected to be delivered in any quarter. However, in line with previous assurances given to the Audit Committee by the Assistant Director Finance and Chief Financial Officer, 2x temporary resources (one internal secondment and one experienced audit contractor) have now been secured to help the Team address the current backlog. This should enable the service to catch up during the second quarter.

7. As Head of Internal Audit I am satisfied with the current position and that appropriate action is being taken to address the progress on planned work.

8. The planned audit work done continues to confirm the Council generally has appropriate controls in place and that the controls are operating effectively. There was one negative opinion issued in the period and this was in relation to the billing of Business Waste Income, where we found that key reconciliations designed to ensure that all collections made had been billed for were still not being carried out. This was despite the issue being raised in previous audit reports from 2015 and 2016. More details are provided in paragraph 2.3 and Appendix A of the attached report.

Section 3: Progress on the implementation of audit recommendations

9. There are 7 overdue major recommendations across the Council. The number outstanding has oscillated around this level for over a year, with older recommendations being cleared and new ones being added to the outstanding list. However, at the current time progress is being made on all 7 recommendations and the oldest original implementation date is October 2016. We are satisfied appropriate attention is given by senior management to outstanding major recommendations and their implementation.

10. In April 2017 there were 94 lower level audit recommendations late and still to be implemented by services. In the last two months we have been working with services to prioritise their clearance of these recommendations and we have received positive commitment from directorate management teams to doing so. As agreed previously with the Audit Committee, we will continue to progress actions with services and we will provide a detailed report on these lower level actions to October's Audit Committee meeting, and at appropriate intervals in the future.

Section 4: Performance Information

11. The overall performance of the audit service is mixed in the period. Three out of six key service performance indicators are at or above target and three are slightly below target.

12. Results relating to major recommendations and customer satisfaction remain very positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above. Final reports issued within 5 days of client feedback on the draft report is 100%.

13. Delivery of planned work is behind target as outlined in paragraph 6 above. Performance on issuing draft reports within 15 days of fieldwork completion and audits completed within budgeted time is behind target, both as a result of a new trainee auditor involvement and a degree of 'learning' involved.

14. Progress in implementing the actions included in the Service's Quality Assurance Improvement Plan, including recommendations arising from the Peer Review, is very good. Seven out of 11 actions are fully complete and the four remaining actions do not fall due until 31st December 2017. The full current Quality Assurance Improvement Plan is included at Appendix C in the attached report.

RECOMMENDATIONS

15. **The Audit Committee is asked:**

- **To note the changes to the original audit plan**
- **To note the internal audit work completed in the period**
- **To note progress made by officers in implementing previous audit recommendations**
- **To note information relating to Internal Audit's performance in the period, the arrangements made to manage the demand for responsive work and progress in implementing actions set out in the Quality Assurance Improvement Plan.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

16. Effective Internal Audit arrangements add value to the Council in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.

BACKGROUND

17. This report provides the Audit Committee with information on the outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

18. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

19. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

Outcomes	Implications
All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	
People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	
People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	
All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
Council services are modern and value for money.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.
Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

20. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

21. There is a statutory obligation on the council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

22. There are no specific financial implications associated with this report.

HUMAN RESOURCE IMPLICATIONS

23. There are no specific human resource implications associated with this report.

TECHNOLOGY IMPLICATIONS

24. There are no specific technology implications associated with this report.

EQUALITY IMPLICATIONS

25. We are aware of the Council's obligations under the Public Sector Equalities Duties and whilst there are no identified equal opportunity issues within this report; all of the reports covered by the document will have taken into account any relevant equality implications.

CONSULTATION

26. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate. Regular meeting are held with Senior Management to ensure there is effective and relevant Internal Audit coverage provided.

BACKGROUND PAPERS

27. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit,
Tel 01302 862939 E-mail - colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit

Appendices Attached

Appendix 1 - Internal Audit Progress Report to 4 July 2017

Doncaster Council

Internal Audit Progress Report

April to 4 July 2017

Section 1: Revisions to the Audit Plan

1.1. The 2017/18 Audit Plan was approved by the Audit Committee on 6th April 2017. As the audit year progresses, the plan is reviewed to take into account new and emerging risks and any responsive work arising. So far in 2017/18 the service has received and responded to a high number of responsive work requests (see section 2), which have required a review of the plan alongside a review of available resources. Amendments to the plan are set out below.

It is proposed to add the following jobs to the plan:

- Solar Centre – The Solar Centre is a day care unit run by RDASH for audits with learning difficulties and complex needs. An exempt report was taken to the April Audit Committee setting out some of the issues around the breach of the contract since 31/3/14 for the Solar Centre. At the April Audit Committee meeting Internal Audit committed to investigate further into the use of the Solar Centre to report to the committee on any lessons that could be learned.
- Money Laundering Review - Changes to the Money Laundering Regulations are due to come into effect from July 2017. This piece of work will look at the new changes and ensure the Council has adopted them as required.
- Music Service Review –Concerns have been raised over the financial and governance arrangements at the Music Service. This review will assess how robust the arrangements in place are.

The following job has been removed from the plan:

- Sustainable Transport Exemplar Programme – this grant claim audit is no longer required to be completed by the Government Department.

Section 2: Audit Work Undertaken During the Period

<u>Internal Audit Opinion</u>

2.1 Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to planned audit review. The opinions given are taken into account when forming our overall annual opinion on the adequacy and satisfactory operation of the Council's governance, risk management and internal control arrangements at the end of the year. A '*limited'* opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified. A '*no assurance'* opinion is given where the area under review is considered to be fundamentally exposed to critical risks, although '*no assurance*' opinions are rare.

Summary of Findings from Audit Reviews

2.2 Summary conclusions on all significant audit work to 4th July 2017 are set out in **Appendix A**.

Audits providing '*limited*' assurance opinions

2.3 Our work concluded that the control environment was inadequate in 1 area, leading to the issuing of a limited assurance opinion in this area, as detailed below:

Directorate / Audit Area	Report to Management	Summary of Significant Issues
Regeneration and Environment Business Waste and Recycling – Follow Up	14/06/17	A *Limited* Opinion was given due to major issues being raised in relation to Billing Reconciliation Processes – i.e. reconciliation processes intended to ensure that all Business Waste collections made are billed, have not been carried out. This had been reported in a previous Internal Audit Report and also in an Income Management report. Unbilled income in excess of £10k has already been identified and estimates of further unbilled income are in the range of £10-20k. It is imperative that reconciliations are completed in a timely manner to resolve these outstanding issues, quantify unbilled income and minimise any loss to the Council.

Responsive Audit Work and Investigations

2.4 In addition to our planned assurance work, we also investigate allegations of fraud, corruption or other irregularity and/or error, and respond to requests for assistance from the various services and functions in the Council. A summary of the significant pieces of work that have been completed or are ongoing is provided below:

Audit Area	Update
Safeguarding Adults Personal Assets Team (SAPAT)	Internal Audit Work is nearing a conclusion. A full report has been provided to Audit Committee at its April 2017 meeting and further updates are scheduled for meeting later in the year
DOLs (Deprivation of Liberty Safeguards) – Best Interest Assessments	A full report has been provided to Audit Committee at its July meeting which sets out the issues and actions required in this area

Internal Drainage Boards	A full report has been provided to Audit Committee at its July meeting which sets out the issues which Internal Audit has been involved in, and the many improvements made in this area both at a local and national level and set out further improvements being sought
Primary School - Loss of Monies	A detailed forensic investigation is taking place around the loss of cash for banking related to school dinner monies and school trips.
Adult Care Home Financial Review	Investigations are being carried out into potential losses at a care home and the use of residents' monies. The work is nearing completion and will be reported upon more fully when complete.
Stores Losses	Internal Audit is investigating recent losses from the North Bridge Depot.
Street Lighting	Internal Audit is investigating stock management issues relating to street lamps used in the SALIX Street Light Project.
ICT Equipment Losses	Internal Audit is assisting management to put in place stronger controls relating to ICT inventory, following an inability to locate small amounts of ICT equipment.

2.5 This responsive work has accounted for a significant proportion of the work carried out by the section in this period. Whilst some of these pieces of work are nearing conclusion, others will require ongoing resourcing for a while longer. The most significant areas in terms of impact and resource that have been worked on are Safeguarding Assets Personal Assets Team (SAPAT), Deprivation of Liberties Safeguards (DOLS) and Internal Drainage Boards. Reports on these areas have been provided to recent audit committees. Other investigations will be reported to future audit committees as appropriate. The resourcing and impact of this work is commented on further in section 4 of this report.

Section 3: Implementation of Audit Recommendations

3.1 Following the completion of audit work, improvement plans are produced in consultation with service management containing details of agreed actions and dates for their implementation. Final reports, incorporating agreed improvement plans, are then formally issued to the appropriate Director, Assistant Director and Head of Service.

3.2 Internal Audit subsequently seeks assurance that agreed actions arising from audit work have actually been implemented. This involves contacting the officer allocated to complete the action to obtain evidence that agreed actions have been implemented or, where they have not, that appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow up work is undertaken.

3.3 Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's quarterly finance and performance challenge process and consequently monitored through that process. Major recommendations outstanding are also reported routinely by Internal Audit to the Audit Committee.

3.4 A summary of all outstanding major recommendations is provided in **Appendix B**. Key issues to note are:

a) The number of major recommendations that are currently overdue for completion is 7.

b) The 7 overdue as at 4th July 2017, are distributed as follows:

Directorate	Overdue major recommendations at 4 July 2017
Adults, Health and Well-Being	1
Regeneration & Environment	0
Finance & Corporate Services	4
Learning & Opportunities (Children & Young People)	2
TOTAL	7

(note: schools are excluded from this analysis)

3.5 The number of recommendations outstanding has oscillated around this level for over a year, with older recommendations being cleared and new ones being added to the outstanding list. However, at the current time progress is being made on all 7 recommendations and the oldest original implementation date is October 2016.

3.6 In April 2017 there were 94 lower level audit recommendations late and still to be implemented by services. In the last two months we have been working with services to prioritise their clearance of these recommendations and we have received positive commitment from directorate management teams to doing so. As agreed previously with the Audit Committee, we will continue to progress actions with services and we will provide a detailed report on these lower level actions to October's Audit Committee meeting, and at appropriate intervals in the future.

Section 4: Internal Audit Performance

Performance Indicators

4.1 The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the period April 2017 to 4 July 2017.

Performance Indicator	Target	April to 4 July 2017	Variance (positive is good)
Percentage of planned audit work completed	25%	15%	- 10%
Draft reports issued within 15 days of field work being completed	90%	82%	- 8%
Final reports issued within 5 days of customer response	90%	100%	10%
% of critical or major recommendations agreed	100%	100%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 110% of budget	90%	75%	- 15%

4.2 The percentage of planned audit work completed is below target. This is due to the very high levels of responsive work experienced by the team in this period. However, in line with previous assurances given to the Audit Committee by the Assistant Director Finance and Chief Financial Officer, 2x temporary resources (one internal secondment and one experienced audit contractor) have now been secured to help the Team address the current backlog. This should enable the service to catch up during the second quarter.

4.3 The percentage of jobs completed within 110% of budget is currently 75%, a negative variance of 15% against a target of 90%. Jobs exceeding time have been due to the time spent by a new trainee member of staff and include an element of ‘learning’ time. This is also largely the reason for the under-achievement at this stage in relation to issuing reports within 15 days of completion of field work. Further support is being provided to the employee, along with clearer target setting and it is expected these actions will lead to improvements over the remainder of the year.

4.4 Results relating to major recommendations and customer satisfaction remain extremely positive with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

Quality Assurance Improvement plan

4.5 In February 2017, Internal Audit was reviewed by the Head of Internal Audit and the Audit Manager from Kirklees Council and this was reported to the Audit Committee at its meeting on 6 April 2017. The assessment confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards.

4.6 The peer review report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations, and actions emanating from them, have been incorporated into the Service's Quality Assurance Improvement Plan (QAIP). The QAIP is attached at Appendix C.

4.7 Progress in implementing the actions included in the Service's Quality Assurance Improvement Plan, including recommendations arising from the Peer Review, is very good. Seven out of 11 actions are fully complete and the four remaining actions do not fall due until 31st December 2017.

4.8 Key actions delivered include refining reporting to the audit committee around audit planning and reporting, identifying and developing staff, and updating the Internal Audit Strategy and Charter. The four remaining actions do not fall due until 31st December 2017 and relate to the completion of a service needs assessment to inform Internal Audit service provision in 2018/19 and to further develop the Council's assurance mapping methodology and arrangements.

APPENDIX A

Summary of Planned Audit Work Completed

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
FINANCE AND CORPORATE SERVICES				
Core Financial Procedures – Council Tax	To ensure that the correct tax is collected from the right people at the right time and that collections are maximised and make value added recommendations to improve the service, its efficiency or effectiveness or further mitigate risk exposures.	26/06/17	*Substantial Assurance*	A light touch review found that controls within the system largely remain the same or improved from last year's full audit review. Testing showed the system remains functional with expected outputs.

REGENERATION AND ENVIRONMENT				
Management of Car Park Income	To ensure that the arrangements to collect car parking related income are satisfactory and ensure that income is appropriately collected and properly safeguarded; and to make appropriate	22/06/17	*Partial Assurance*	The audit made several recommendations which included: • Investigating cash discrepancies by the security company • Amendments to policies, procedures and schemes of delegation to reflect regulatory and working practice changes including discretionary

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	recommendations to improve controls, their efficiency or to further mitigate risk exposures.			circumstances where a fine may be cancelled • Completion of contract related documentation for the cashless parking payment contract • Small improvements to the financial recording of income .
Blue Badge Anti-Fraud review	To assess the adequacy of the arrangements to prevent abuse of Blue Badges.	10/05/2017	*Partial Assurance*	The audit found that whilst there are arrangements in place to identify abuse of blue badges, Doncaster Council still had a low amount of detected frauds compared to some other neighbouring authorities. However, during the course of the audit 1 prosecution was made and there are 7 further cases on-going and working towards possible prosecution. The Civil Enforcement Officers now carry body-cams providing better evidence for prosecution. Additionally, the listings of deceased badge holders have been brought up to date and a process is in place to ensure these are now updated on a weekly basis. It is expected that any blue badge abuse would now be more likely to be detected.
Business Waste and Recycling – Follow Up	To ensure that all Business Waste and Recycling customers are now being correctly invoiced. To make recommendations to managers for further improvements to the control environment as necessary. Provide assurance to stakeholders including the Audit Committee that	14/06/2017	*Limited Assurance*	This review identified that the data quality improvements and reconciliation processes agreed and reported in the May 2015 Internal Audit report and the July 2016 Income Management report which would minimise any potential future cases of un-billed income have not yet been implemented. The data comparison exercise recently undertaken by Internal Audit has identified customers that have not been billed. 9 customers had been identified requiring backdated invoices to be raised generating

	arrangements are in place and robust.			income in excess of £10k. Estimates of further unbilled income are in the range of £10-20k.
Bus Service Operators Grant (June Claim)	Sign off the grant statement as true and fair as stipulated by the grant.	22/06/17	n/a – grant claim	Grant signed, no issues raised.
LEARNING AND OPPORTUNITIES: CHILDREN AND YOUNG PEOPLE				
Early Help - Collaborations	The objective of this audit was to provide an opinion on the financial and governance arrangements in place over the Early Help Collaboratives	06/07/2017	*Partial Assurance*	Our fundamental concerns were that a full reconciliation of all Collaboratives' spend to ensure that funds have been allocated, issued and used appropriately had not been carried out, nor were there any formalised agreements in place with Collaboratives and their fundholding schools to acknowledge responsibility and management of the funding. Management has already significantly improved these arrangements and put in place several actions, the most significant being the completion of the financial reconciliations.

APPENDIX B

Outstanding Major Recommendations

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Adults and Communities						
Over-payment Review of Direct Payments	Money management companies are used as a payment method for direct payments, to ensure service users have access to their personal budget but in a controlled manner, ideally in cases where service users are not good at managing their own money or have had previous problems managing money. There is currently no contract in place for a company that is managing multiple service users' personal budgets.	Companies become financially reliant upon DMBC money. Reputational risk of mismanagement	Contracts will be considered and put into place for all companies that are managing service users' personal budgets on their behalf.	31/10/16	31/12/17	A contract waiver is in place until February 2018 to allow this situation to be addressed, either as a stand-alone tender or as part of a wider package of services

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Learning and Opportunities: CYP						
Aiming High	Operationally, there is an informal 13 week timeline guide for the service which runs from the receipt of a valid referral to the start of service provision. These targets have not been formally adopted and as such, there is no monitoring of performance against them.	Inefficiencies within service delivery may not be identified.	SMART operational performance targets or standards covering all key processes should be formally adopted.	09/11/2016	24/04/2017	Although some monitoring reports have now been produced, their use has not been fully established or embedded. Work continues to develop further reports and targets. There is now evidence of progress being made which is having a positive impact on the financial projections.
Aiming High	The Aiming High budget has been overspent for a number of years. It is for Aiming High to prioritise where they incur expenditure and identify efficiency savings to offset expected overspends.	Budget overspending may continue.	A working group should be formed to identify and assess possible ways of reducing the budget pressure e.g. review of all care packages above £X, cost / benefit analysis of services provided etc.	30/11/2016	31/07/17	A Task Group was formed in 2016 and produced an action plan that should help to reduce the budget overspend. An overspend is currently forecast for 2017/18, although there is evidence of better management of cases and monitoring of their costs and the position is improving.

Finance and Corporate Services						
Public Sector Equality Duty	The equalities agenda has been led by the Equality and Inclusion Steering Group. However review of minutes of meetings demonstrated inconsistent attendance. The lack of clear evidence of engagement by senior management across directorates indicates that more needs to be done to drive the equalities agenda from the top. Under half of the planned actions set out in the Year 2 (2015-16) Action plan had been achieved by the end of March 2016.	Failure to achieve tangible outcomes for the community in eliminating unlawful discrimination and harassment, fostering good community relations and demonstrating/promoting equality of opportunity	Ensure there is representation from suitably senior managers from across the Council on the Equalities and Inclusion Steering Group. And that active participation is monitored in driving the equalities and inclusion agenda forward.	31/03/2017	30/09/2017	The whole approach to Equality, Diversity and Inclusion (EDI) has been reviewed with the new board (Corporate Equalities, Diversity and Inclusion Board), senior members and officer champions, which is aimed at embedding the newly developed EDI Framework throughout the Authority. A significant amount of background work has been completed and it is planned the new approach will be launched alongside the Corporate Plan in September 2017.
Public Sector Equality Duty	As above.	As above.	Review the roles, responsibilities and constitution of the Equalities and Inclusion Steering Group	31/03/2017	30/09/2017	As above

Core Financial Processes – Debtors	Recommendations were raised in the previous 3 annual audits between 13/14 and 15/16 regarding the lack of available monitoring reports, no performance statistics being provided to Managers and no KPI's being produced and published. The arrangements for monitoring performance – particularly collection rates – are not yet well enough developed to provide assurance over the effectiveness of system performance.	Unable to determine whether the council have good or bad collection rates with regards to debts. Without gathering meaningful performance information it is not possible to assess how well the accounts receivable arrangements are working.	Develop highlight reports for senior managers – including at director level. And report KPIs on arrears and collection rates on covalent Highlight reports to include key performance information including KPIs	31/08/2017	31/08/2017	**On Track** A report has been developed including targets and presented to the Assistant Director of Finance and feedback has been received. There is still an outstanding development re collection rates for Accounts Receivable which is in progress with Financial Systems/ICT. June 2017 figures are being collated and then the Quarter 1 report will be produced and go out to directorates.
Core Financial Processes – Debtors	As above.	As above.	Meaningful targets to be set for KPIs (including collection rates and aged debt) following a robust process informed by benchmarking. Approval of targets by the Chief	31/08/2017	31/08/2017	As above

			Financial Officer. Continue to develop arrangements to monitor KPIs – in particular meaningful monitoring of debt collection rates (amount of debt collected within 90 days).			

APPENDIX C

Internal Audit – Quality Assurance Improvement Plan

Ref	Issue	Agreed Action	Lead Officer	Deadline	Position at July 2017
Actions Emanating from the UKPSIAS Self-Assessment 2016 and Customer Survey 2016					
1	Skill mix to be completed and production of a team development plan. Summarise development needs for the team overall, taking into account current and ongoing requirements (examples; job briefing, communication and reporting – see below, excel, word, risk based auditing, adding value), and potential future developments (CAATs, contract audit, partnerships etc).	Map and compare current team skills, qualifications, experience, with work included in the audit plan for 2016/17. For any gaps, include development requirements in the team development plan. Highlight any work in the plan that is outside of current skills available.	Colin Earl	28 February 2017 31 July 2017	**Completed**: Immediate team development priorities identified and scheduled. **Completed**: A full skills audit has been completed and used to inform completion of 2017 PDRs
2	Appraise opportunities for improving the efficiency and effectiveness of the whole end-to-end audit process	Complete a refresh of the end-to-end audit process, to cover planning, job briefs, undertaking audit work, reviews, reporting and communication	Colin Earl	30 June 2017	**Completed**. Refresh completed by 30 April 2017, with staff training refresh sessions and subsequent roll-out of refreshed procedures. New procedures are now being implemented.

3	An update of audit procedures is outstanding, pending upgrade of the internal audit electronic management system.	Update the audit procedures (manual) following implementation of the new electronic audit system – cross reference to Standards to demonstrate compliance	Nici Frost-Wilson	30 June 2017	**Completed**; All material is available to staff and training has been provided as required.
4	Develop assurance mapping to strengthen the Council's internal control arrangements	Work with the Strategic Performance Unit to develop Assurance Mapping	Colin Earl	31 December 2017	**Ongoing**; Preliminary Research underway, and pilot areas identified to develop the process internally.
Actions Emanating from the External Peer Review 2017					
5	At present the Audit Committee does not receive oversight of the full audit universe to be able to consider and challenge audit coverage in all aspects of Council activity as part of the approval of the Audit Plan.	The audit planning process should be widened to include reporting of the audit universe to the Audit Committee. This change may dovetail with the assurance mapping exercise being co-ordinated by the HoIA – see action point 4 above	Colin Earl	6 April 2017	**Completed**: The audit universe and current assurance mapping was presented to management and the Audit Committee alongside the draft Audit Plan 2017/18.
6	Delivery of planned work is reported as a % figure to the Audit Committee in the Progress Reports of the HoIA. The calculation methodology includes account for work in progress.	The HoIA to add explanation to reporting arrangements of plan completion in the performance information section in Progress Reports. This would help management and Members monitor plan completion progress and to understand the	Colin Earl	From 6 April 2017	**Completed**; Information in the audit progress reports and annual report has been extended to include details of the calculation methodology, including where relevant, the implications of prior year

		implications of undertaking unplanned commissions and to consider the need to revise the annual plan.			and unplanned work.
7	The need and scope for collaboration including any joint working arrangements should be reviewed on an ongoing basis This view was partly reinforced through discussions with SLH regarding opportunities for more horizon scanning and wider dissemination of best practice generally in areas under audit review, that may be gleaned from other authorities with landlord responsibilities, which they identified would be particularly welcome	Opportunities for collaboration, information sharing and service development are kept under review on an ongoing basis. A formal assessment of service needs will be completed during 2017/18, to inform the internal audit service provision from 2018/19. A review step will be built into audit work to explicitly consider alternatives to assist services in their development, to add better value to the audits completed.	Colin Earl Colin Earl	31 December 2017 30 April 2017	**Ongoing**; Scheduled for completion **Completed**; This step is specifically included in the audit end-to-end process.
8	Consider the team resilience, continuity, and development issues on an ongoing basis and in particular how capacity could be addressed if any of the three managers were to leave in the short to medium term.	Options would include developing and providing more opportunities and exposure to other staff within the team, mainly principal auditors The HoIA to monitor the position and tailor the team development plan to ensure, perhaps by way of coaching and exposure of principal auditors to completing	Colin Earl	31 July 2017	**Completed**; The completion of complex work and the enhanced involvement of other staff in finalising and reporting complex work was considered through the 2017/18 Personal Targets and Development Planning Processes.

		and delivering complex work, the service can continue to meet future requirements.	Colin Earl	31 December 2017	**Ongoing:** A formal assessment of service needs will be completed during 2017/18, to inform the internal audit service provision from 2018/19.
9	For the purpose of clarity and transparency, the details of the audit services provided to SLH and Drainage Boards should be included within the Internal Audit Charter and the Strategy should be updated in respect of the Children's Services Trust.	An updated Audit Charter and Strategy will be presented to the Audit Committee in July 2017, to incorporate comments made by the Peer Review and changes to auditing standards that are currently being consulted on.	Pete Jackson	27 July 2017	**Completed**; The revised Charter and Strategy have been presented to the July Audit Committee incorporating changes to the auditing standards and the issues identified as part of the Peer Review.
10	Internal Audit job descriptions should be revised to include reference to the PSIAS	All job descriptions will be reviewed as part of the full service review to be completed by the end of December, 2017	Colin Earl	31 December 2017	**Ongoing**: Scheduled for completion
11	The PSIAS self-assessment identified a number of development issues which were incorporated into an action plan. Several of these have been completed but a number remain ongoing. The HoIA should ensure full implementation of the remaining issues in the self-assessment action plan.	The action plan will be merged with the Quality Assurance and Improvement Programme referred to in the recommendations made in the peer review, and reported to the Audit Committee on a regular basis to enable monitoring of progress.	Colin Earl	6 April 2017	**Completed**: Consolidated Action Plan produced and appended to the 2017/18 Audit Plan

Doncaster
Metropolitan Borough Council

27 July, 2017

REPORT TO THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE

INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

EXECUTIVE SUMMARY

1. This report refers to the Internal Audit Strategy and the terms of reference for Internal Audit, which are set out in the Internal Audit Charter. The Audit Committee has responsibility for considering the Internal Audit terms of reference.

2. The Strategy and Charter were last produced in April 2015 and set the strategy for the period 2015-2018. The documents have been reviewed and updated annually to take into account and changes required. Following significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirklees Council earlier in 2017, the Charter and Strategy have now been re-written to adopt the new requirements. The update version is applicable for the three years.

EXEMPT REPORT

3. The report does not contain exempt information

RECOMMENDATIONS

4. **The Audit Committee is asked:**
   - **To approve the Internal Audit Strategy for the period 2017 - 2020-2018**
   - **To approve the revisions to the Internal Audit Charter.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. Regular review of the Internal Audit Charter and Strategy ensures the service has considered the service it is offering to the Council and is operating to best current professional practice. The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners which adds value to the authority and the citizens of Doncaster

BACKGROUND

INTRODUCTION

7. The overall strategic direction of the Council's Internal Audit Service for 2017/20 is set out within the Internal Audit Strategy. This medium to long term perspective is required to give some indication of how assessed risk will be reviewed where all risks cannot, due to resource constraints, be subject to

review within any one year, within the 2017/20 years

8. The Internal Audit Charter sets out the Terms of Reference for the Internal Audit service. The Internal Audit Charter must comply with the United Kingdom Public Sector Internal Audit Standards and be consistent with the Mission of Internal Audit and the mandatory elements of the International professional Practices Framework (the Core Principles for Professional Practice of Internal Auditing, the Code of Ethics and the Definition of Internal Auditing). The Charter also confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to carrying out its agreed functions.

INTERNAL AUDIT STRATEGY

9. The strategy has been reviewed in line with the requirements of the UK Public Sector Internal Audit Standards and current best practice and has been updated to reflect current practices.

10. The Key changes made to the Strategy in order to comply with the 2017 Standard changes are:

    - Section 4 has been updated to reflect current working practices in understanding the audit risk universe and the planning process. This has been revised in order to comply with the standards and to set the future direction.

    - Section 2 of the strategy details that UKPSIAS professional standards now provides a Mission Statement for Internal Audit which articulates what internal audit aspires to accomplish within an organisation.

      "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

    - Section 3 of the strategy, what this means we need to do, has been updated to reflect standard 2050 Reliance and 2100 Nature of work.

    - Section 6 of the strategy, resources and prioritisation has been updated detailing Internal Audits annual planning process and how it has evolved during the period of the strategy in line with changes in the UKPSIAS professional standards. The methodology for 2017/18 incorporates the recent changes in the standards with a risk based plan being fully adopted.

11. The Strategy has also been reviewed to address changes suggested and highlighted during the external assessment of the Internal Audit Service earlier this year. The key change made to the Strategy in order to comply with the external assessment is that it has been updated to reflect the end of the audit provision for the Children's Services Trust.

INTERNAL AUDIT CHARTER

12. The terms of reference for Internal Audit comply with the UKPSIAS requirements. The strategy remains largely unchanged and only minor amendments and terminology changes have been made to the Charter to ensure that it is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing.

13. Key changes made to the Charter in order to comply with the 2017 Standards changes are::

    - The charter has been updated in line with the UKPSIAS professional standards and is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing. The Charter confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions.
    - Section 2.1 of the Charter has been updated to include the Mission. Internal Audit's mission statement per UKPSIAS is defined as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
    - Section 2.6 of the Charter has been updated to comply with a new standard requirement 1130. Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement
    - Section 7 of the Charter, Audit Plan has been updated to comply with the 2010 Planning standard. The methodology for 2017/18 incorporates the recent changes in the standards with a risk based plan being fully adopted.
    - Section 9 of the Charter, Audit Standards has been updated to comply with standard 1311 confirming that the QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards
    - Section 9.4 of the Charter has been revised to reflect the external assessment process undertaken in 2017.

14. The Charter has also been reviewed to address changes suggested and highlighted during the external assessment of the Internal Audit Service earlier this year. Key changes made to the Charter in order to comply with the external assessment are:

- The Standards require that the Audit Charter includes details of assurance services provided to parties external to the Council. Internal Audit provides an audit service to St Leger Homes and supports other partners such as the Internal Drainage Board based within the Borough, where the Council appoint persons to their Board.

OPTIONS CONSIDERED & RECOMMENDED OPTION

15. The Head of Internal Audit has considered the environment in which the internal audit service operates as well as regulatory requirements on and for the internal audit service in the Council. He has incorporated these into the documents presented to the Committee for consideration and recommendation.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

16.

	Outcomes	**Implications**
	All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	
	People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	
	People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	
	All families thrive.	

	• *Mayoral Priority: Protecting Doncaster's vital services*	
	Council services are modern and value for money.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.
	Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS & ASSUMPTIONS

17. The operation of an effective internal audit service provides assurance on the effective management of risks and internal controls. The adherence to an appropriate service strategy with the right terms of reference allows the service to fulfil this assurance role as well as contribute to other Council outcomes.

LEGAL IMPLICATIONS

18. There is a statutory obligation on the Council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

19. There are no direct financial implications associated with this report.

HUMAN RESOURCES IMPLICATIONS

20. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

21. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

22. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

CONSULTATION

23. This report consults with members of the Audit Committee over the Internal Audit Strategy and Internal Audit Charter for the period 2015 -2018.

BACKGROUND PAPERS

The United Kingdom Public Sector Internal Audit Standards.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, Telephone 01302 862939
Colin.earl@doncaster.gov.uk

Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

DONCASTER COUNCIL, INTERNAL AUDIT SERVICES - INTERNAL AUDIT STRATEGY 2017 TO 2020

1. Introduction

1.1 This document sets out the overall strategy for the Council's internal audit service for the period 2017 to 2020.

1.2 This medium – long term perspective is necessary to give some indication of how assessed risk will be reviewed where all risks cannot, due to resource constraints, be subject to review within any one year, within the 2017/20 years.

2. Main Drivers in Direction Setting

2.1 The work of the internal audit team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are:

a) The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer.

b) The Accounts and Audit (England) Regulations 2015.

c) The requirement to meet the service scope and standards set out in the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) which came into force on the 1st April 2013 and as updated in March 2016 and March 2017.

d) The dependencies of the External Auditor on the internal audit function.

e) The desire to contribute to the achievement of the Council's goals, targets and objectives.

f) The desire and need to meet the needs of the organisation and internal and external customers.

g) The contributory role in assisting in the embedding and informing of risk management across the Council.

h) Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy.

i) The need for the council to maintain both an effective counter-fraud culture and counter-fraud and corruption arrangements.

2.2 Statute, in the form of the Accounts and Audit (England) Regulations 2015, sets out the requirements for local authorities for internal audit;

The Accounts and Audit Regulations 2015 include a requirement for local authorities to:

"…undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance" Reg 5 (1) and “conduct a review of the effectiveness of the system of internal control …” Reg 6 (1) (a).

The UKPSIAS now provides a Mission Statement for Internal Audit which articulates what internal audit aspires to accomplish within an organisation

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

2.3 The UKPSIAS provides a new definition of Internal Audit:

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

2.4 Further, UKPSIAS set out “Core Principles for the Professional Practice of Internal Auditing” and these are achieved through individual auditors and the audit function working to the defined standards set out within UKPSIAS. The Core Principles are:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Standards state “For an internal audit function to be considered effective, all Principles should be present and operating effectively but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission”

2.5 This Mission Statement and definition encourages a collaborative style of audit review which focuses on adding value and improving an organisation’s operations evaluating and improving the effectiveness of risk, control and governance processes and therefore goes beyond basic compliance. The Internal Audit Service continues to face a challenging agenda to deliver the services the Authority requires and to ensure it does so by providing added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally and nationally. Accordingly, the Charter has been extended to include the aspirations of the Internal Audit Service, which are to:

- Understand the whole Authority, its needs and objectives
- Understand its position with respect to the Authority's other sources of assurance and plan its work accordingly.
- Be seen as a catalyst for change at the heart of the Authority
- Add value and assist the Authority in achieving its objectives
- Be forward looking – knowing where the Authority wishes to be and aware of the national agenda and its impact
- Be innovative and challenging
- Help to shape the ethics, governance and standards of the Authority
- Ensure the right resources are available, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- Share best practice with other auditors
- Seek opportunities for joint working with other authorities' auditors.

2.6 The UKPSIAS sets out certain terms which require definition and application within Doncaster Council and its internal Audit Service

- For the purposes of Internal Audit activity, the term "board" refers to the Audit Committee.
- The term "senior management" refers to the Chief Executive and the Directors.
- The UKPSIAS refers to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by the Head of Internal Audit (HoIA)Section 151 of the Local Government Act requires the Authority (through the chief financial officer) to ensure the proper administration of the its financial affairs. The work of the internal audit function supports the appointed S151 Officer in this, as the internal audit function assists managers to administer the Authority's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Financial Officer (Section 151) on the extent of proper administration.

2.7 The External Auditor seeks to place reliance on the work of the internal audit function in discharging his legal responsibilities, although the level of work reviewed by the External Auditor has fallen since the external auditors have changed the scope and approach to their work. With internal and external audit still working in a coordinated manner, the Council receives a more efficient, effective and economic audit. The External Auditor, whilst still undertaking risk based audits of their own, will place reliance on work done by Internal Audit Services where appropriate.

2.8 The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation. It largely does this through acting as a control assurance function providing assurance, to managers and to the organisation as a whole, on the state of its internal control arrangements. It also adds value by pointing out inefficiencies and by supporting managers in the management of risk, increasing the overall likelihood of successful, joined up and customer responsive Council services.

2.9 Advice - Internal audit staff continuously provide advice on internal control, and the management of risks, as risk and control experts. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to the Internal Audit office by clients seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council.

2.10 Investigations – The Council's Anti-Fraud, Bribery and Corruption Framework states that:

Directors and Managers have a duty to inform the Head of Internal Audit of any potential fraud, bribes, corruption or other suspected irregularities. The Head of Internal Audit will ensure that a log is maintained of all reported incidents. A decision will then be made as to who is best placed to investigate any concerns raised. In many cases it will be the appropriate service manager who will have the responsibility of carrying out the investigation and undertaking any necessary disciplinary action in conjunction with the Assistant Director of Human Resources. The investigating officer also has the responsibility to report all findings to the Head of Internal Audit. Details of all reported frauds, bribery, corruption and other irregularities are to be recorded by the Head of Internal Audit.

2.11 However, it is clear that senior managers require assistance and support with investigations where they cannot themselves undertake a sufficiently adequate and independent investigation. The team will endeavour to respond to situations where:

- there are risks to council assets and interests where Internal Audit are best placed to investigate or where it is more appropriate that they do so rather than line managers
- there is a possibility that criminal or civil action will be required either during or at the conclusion of an investigation
- the investigation requires the use of investigative powers under the law for which specialist knowledge is required

2.12 The team will endeavour to provide effective support to managers so that they themselves can deliver effective investigations into irregularities where the Head of Internal Audit deems that it is appropriate that local managers or an independent investigator undertake this role. Internal Audit Services will also provide advice and practical support, as much as they are able to, where the local manager undertakes this investigative role.

2.13 Counter fraud culture - the work of internal audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud Bribery and Corruption Framework and will participate in activities as identified in the Internal Audit Plan and periodic assessments of best practice as released by the Government and professional bodies.

3. What This Means We Need To Do

3.1 In meeting these drivers and organisational needs, the Council's Internal Audit Service will:

- Provide an assurance on the Council's internal control systems. This includes the audit of areas of financial risk, non-financial risk and reviews of key governance areas and systems.
- Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk.
- Deliver risk based assurance on those controls that manage significant risks.
- Fully comply with the mandatory United Kingdom Public Sector Internal Audit Standards.
- Better Integrate the outcomes and other information gathered as part of the internal audit process, with the risk management processes of the Council.
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council.
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Team.
- Improve the efficiency and effectiveness of operations of the Internal Audit Service and of the services that it audits.
- Promote good corporate governance and control practices and contribute to a good governance culture.
- Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- Provide support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.
- Support and develop an anti-fraud culture within the Council and its partners.
- Provide audit services to schools and partner organisations (such as the audit of St Leger Homes and schools if required).
- Support good governance and good risk management in the

monitoring of strategic partnerships and strategic contracts.

- Share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service provider to ensure proper coverage and minimise duplication of efforts.
- Ensuring Auditors are proactive with evaluations, offering new insights and consider future impact will ensure the credibility and value of Internal Audit is enhanced.

4. How We Will Do This

4.1 **Review of the whole internal control environment -**
We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered. This coverage will be on a risk basis and will take into account:

- risk management arrangements
- the Councils strategic and, where available, operational risk registers
- the Council's risk appetite
- financial information from key financial systems
- other sources of assurance on which reliance can be placed
- consultations with the Council's Directors and Assistant Directors
- known upcoming significant changes to internal control environments or changes in key systems and key governance arrangements
- known upcoming changes to the law or external environment
- external demand for services (including requirements to audit and sign off of grant claims for the government)
- the development of best practice from regulatory or other bodies
- work requested by the Council's External Auditor.

This will be evidenced through our audit plans which will change throughout the year to reflect changes in the level of perceived risk to ensure that we concentrate limited resources on the right areas. We will use this evidence to deliver an annual opinion on the internal control environment.

4.2 **Review of Main Financial & Material Systems** - As part of our joint working protocol with the External Auditor we will deliver the review of controls in the Council's main financial systems. This forms part of the audit plan on an annual basis.

4.3 **A system of Risk-Based Auditing** - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach so as to ensure it is effective in providing assurance to managers within the Council and to members.

4.4 **Compliance with Best Practice –** we have developed a methodology to measure our achievement of compliance with mandatory United Kingdom Public Sector Internal Audit Standards. We will monitor ourselves against these professional **s**tandards and rectify any gaps that are within our control.

4.5 **Relationship with Risk Management** – Internal Audit is not responsible for the management of the Council's risks; this is the responsibility of managers. However, all of our audits consider risk and report on risks to managers. Issues and recommendations are risk assessed according to the Risk Management Framework to give comparative implementation priorities to managers and so that they can be taken into account in their risk management activities. These risk assessments form the basis of the audit opinion given at the end of an audit. We will continue to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service.

4.6 We recognise that through our work we are assisting managers to better understand risk management. This is an important educational / informative role that adds value to the organisation. We will submit information through our routine audit and from all other forms of work on risks to risk owners for inclusion on the Council's risk registers.

4.7 **Relationship with External Auditor –** we will endeavour always to work with the External Auditor and share plans so as to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External auditor.

4.8 **Efficiency Improvements** – Internal Audit uses an electronic audit package to improve efficiency of both individual audits and for the management of the service. This includes all aspects from audit planning to carrying out audits to tracking the implementation of agreed management actions. Internal Audit also make use of assistive technologies, specifically computer based auditing techniques to analyse raw data to inform our audits. These techniques and packages allow us to analyse and give opinions using large volumes of data which is statistically more significant than opinions based on traditional audit sampling techniques. We continue to develop our application of this and other technologies to save on administration, management and audit time and hence deliver as much resource as possible to front line audit work.

4.9 We will seek to minimise the time spent on audits whilst at the same time delivering effective audits. We also aim wherever possible to arrange our audit work to minimise disruption and distraction to our clients' normal service delivery, by carrying out work at convenient times and by specifying in advance our information needs.

4.10 We will comment on the efficient, economic and effective use of resources, where appropriate, in our internal audit work.

4.11 **Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including in the giving of advice and the assessment of internal controls. We review the Council's Corporate Governance Framework as part of our audit planning process and provide coverage of elements of corporate governance within our annual audit plan, Improving governance is an integral aspect of many reviews we undertake. We will also contribute to both the Council's counter fraud culture. How we will deliver this is covered in the Council's Anti-Fraud, Bribery and Corruption Framework. Audits applicable to the prevention and detection of fraud and error and the improvement of the Council's counter fraud culture will continue to be part of the Internal Audit Plan. We will promote this culture via our work, on our intranet site, in coordination with the External Auditor and also through our contribution to the Council's Governance Group.

4.12 **Provide Training and Support** - We will provide continue to provide training as required on the Council's Anti-Fraud, Bribery and Corruption Arrangements and Fraud Awareness. We will also develop training on promoting good corporate governance

5. Other Work

5.1 The business of local authorities is becoming increasingly diverse, with a broader range of delivery methods, increasingly relying on partnership working. Internal Audit aims to help the Council safeguard its interests by carrying out work as appropriate where various delivery methods are employed. Examples might include joint working with the Health Service and Police. Whilst considerable support has been provided to key partners of the Council including well established arrangements with St Leger Homes it has also supported other partners such as Internal Drainage Boards based within the Borough where the Council appoint persons to their Boards.

5.2 A similar, although more autonomous, arrangement relates to the provision of housing related services which, in Doncaster, have been devolved to St Leger Homes; a 100% owned subsidiary company. St Leger Homes could appoint its own internal auditor, but has so far chosen to use the services of the Council's Internal Audit Team. This is helpful to the Council as it enables joint pieces of work, for example on housing strategy or joint governance arrangements, to be commissioned from the Council's Internal Audit team.

5.3 Internal Audit also carries out audit of schools within the LEA. Many schools have achieved academy status with the remainder to follow. Such academies make their own arrangements for Internal Audit, although, Council audit functions are promoted and available should any academy request it.

6. Resources and Prioritisation

6.1 Internal Audit will endeavour to maintain an effective number of staff to undertake the required workload and will be supported by effective systems of operation. We will deploy staff in the most effective way in accordance with their experience and skills and in accordance with the UKPSIAS.

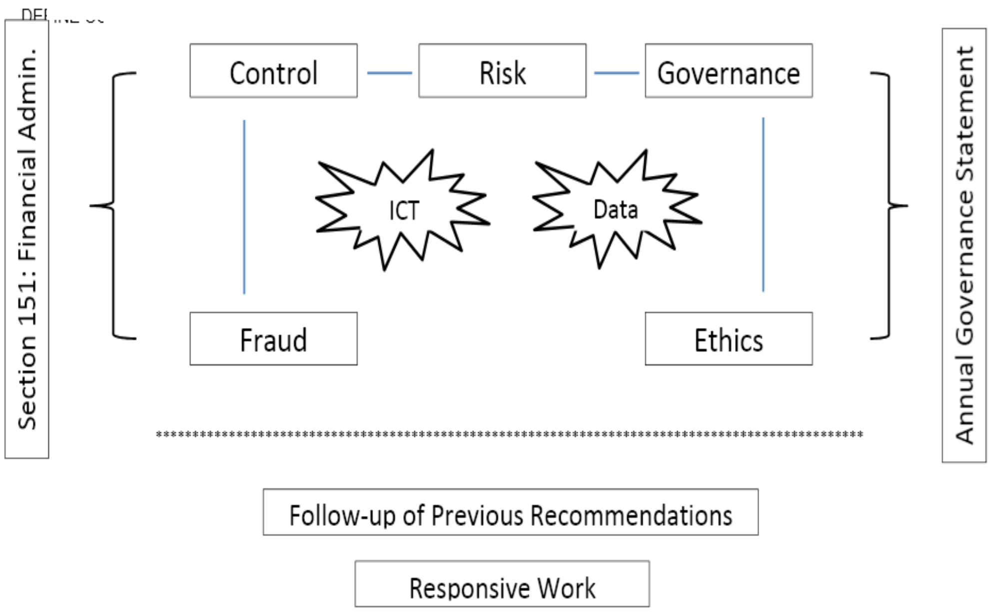
6.2 Internal Audits annual planning process has evolved and been updated in line with changes in the UKPSIAS professional standards

6.3 Internal audit work is identified following a full assessment of risks across the Council (the audit universe) and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities). These considerations were identified in paragraph 4.1.

6.4 The methodology for 2017/18 incorporates the recent changes in the standards. It is a risk based plan that has been compiled following a risk assessment of the Council's functions and services and risk, control and governance arrangements supplemented by discussions with key officers, Assistant Directors and Directors throughout the Council. This risk assessment was then used to compile a list of audit needs.

6.5 Visually, our approach to audit planning is: -

DONCASTER MBC INTERNAL AUDIT: UK STANDARDS PLANNING MAP



6.6 Our work that we identify as an audit need falls generally into the areas of governance, risk and control. Audits that concentrate on controls generally support our audit work in providing assurance to the Council's S151 Officer (the Chief Financial Officer), whilst audits concentrating more on the governance elements support the Council's annual governance statement. It should be noted that our audits <u>can</u> and do cover more than one of these areas (governance, risk and control). Wherever we look at control work, we will consider fraud as a matter of course and will consider ethics during any of our governance work. In all of our work we seek to examine ICT and data / information management risks wherever they are applicable to our work, as ICT and data underpin all of the Council's activities.

6.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Chief Financial Officer (Section 151) will firstly try to provide additional audit support to the section. Where resources are limited it may be necessary to limit the work undertaken for external parties, risk related work or responsive work as necessary to ensure that resources are focused on mandatory activities.

6.8 Internal Audit annually carries out a review of the skills within the team and any development needs as linked to operational requirements. This is undertaken as part of the PDR (appraisal) process. Training and development needs are prioritised to reflect the needs of the service and individual auditor needs. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments. These arrangements are being enhanced through the production of a formalised Team Development Plan which identifies development areas at both an individual and team level.

Colin Earl,
Head of Internal Audit.
July 2017

Appendix 2

INTERNAL AUDIT CHARTER

1. THE CHARTER

1.1 This charter, updated in line with the United Kingdom Public Sector Internal Audit Standards, and is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing. The Charter confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions.

1.2 This charter covers the following areas relating to the nature, activity and scope of internal audit within Doncaster Council.

- Role and objectives
- Independence
- Authority
- Responsibilities
- Scope of work
- Plans
- Reports
- Standards
- Relationships
- Ethical standards
- Contribution to Corporate Objectives

1.3 This charter should be read in conjunction with the Internal Audit Strategy and Anti-Fraud, Bribery and Corruption Strategy which both give details about how the responsibilities within this charter are discharged.

2. MISSION, ROLES AND OBJECTIVES OF INTERNAL AUDIT

2.1 Internal Audit's mission statement per UKPSIAS is defined as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.

2.2 As defined by is the United Kingdom Public Sector Internal Audit Standards (UKPSIAS): *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

2.3 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the organisation whether these arrangements are in place and operating properly and efficiently. The annual internal audit opinion, which informs the annual governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

2.4 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.

2.5 Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

2.6 Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement

2.7 The attainment of the overall objective will normally involve: -

- Reviewing and appraising risks related to the achievement of objectives and business goals and evaluating the adequacy and effectiveness of the system of internal control related to those risks.
- Appraising the relevance, reliability and integrity of information.
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy, efficiency and effectiveness with which resources are employed and the delivery of services in a best value manner.
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned and with due regard to the management of risk.
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes.

- Conducting special assignments and investigations into any matter or activity affecting the interests of the Council. It should be noted that it is normally management's responsibility to undertake such investigations and Internal Audit's involvement is governed by UKPSIAS and the Council's financial rules.
- Reviewing the Council's corporate governance arrangements with appropriate input from other professional services including HR and Legal.

2.8 Section 6 of the Internal Audit Strategy identifies the approach to internal audit planning and the way in which Internal Audit resource requirements are considered and managed in response to emerging needs and priorities.

3. INDEPENDENCE

3.1 The Council's Internal Audit Services are an appraisal and advisory function having independent status within the Council. These arrangements have been reviewed and assessed against (UKPSIAS)audit standards and are considered to be compliant with these standards

- The Head of Internal Audit: -
  Shall have direct access to the Mayor, Deputy Mayor, Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer and any other officer or member or external body, including the External Auditor, as the Head of Internal Audit shall determine.
- Shall have access to the Chair and Vice-Chair of the Council's Audit Committee.
- Shall not be involved in the day-to-day operations of the Council.
- Shall be able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

4. AUTHORITY

4.1 The authority of the Head of Internal Audit is derived from the Council, the, Chief Financial Officer (Section 151) the Monitoring Officer and the Council's Financial Procedure Rules. It is based on what is required to discharge the statutory obligations of the Council through the establishment of an effective internal audit function.

4.2 The Head of Internal Audit and his audit staff shall: -

- Have access at all reasonable times to the records, assets, personnel and premises of the Council including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, of the Council which are necessary for the proper performance of internal audit duties.
- Have the right at all reasonable times to enter any premises of the Council to request any employee to furnish all information and explanation deemed necessary for them to form an opinion on the

adequacy of systems and/or controls or to complete required investigations. The employee concerned shall respond promptly to such enquiries.

- Shall have rights of access to those items listed above where held by partner organisations as they affect the business of Doncaster Council or its control environment.

4.3 The Council's employees and members shall render every assistance to the auditors in carrying out their audit duties.

4.4 Managers shall respond promptly to internal audit reports and requests for information relating to the implementation of recommendations. Responses will normally be required within two weeks of the date of receipt of the report and by the date requested for any other information sought.

5. RESPONSIBILITIES

5.1 The Head of Internal Audit shall be responsible for the functional control of audit activities in relation to: -

- Development, implementation and oversight of internal audit methods and procedures;
- Development and control of an effective internal audit plan and including those for which there are partnership arrangements;
- Scope and boundaries of audits;
- Fulfilling the objectives of internal auditing;
- Utilising designated audit resources to maximise the efficiency and effectiveness of the internal audit function;
- Maintenance of the appropriate auditing standards, currently those defined by the United Kingdom Public Sector Internal Audit Standards (UKPSIAS).

5.2 It should be noted that internal audit is not responsible for control or control functions within the Council; these responsibilities rest with management. Internal audit should never be regarded as a substitute for good management.

6. SCOPE OF INTERNAL AUDIT WORK

6.1 The scope of internal audit work shall be sufficiently comprehensive to meet the needs of management, the Council and the United Kingdom Public Sector Internal Audit Standards. Work areas for review will derive through a risk-based process based upon a risk assessment, which will be derived from the Council's risk registers where available and will be compatible with the Council's Risk Management arrangements.

6.2 Where the risk management processes are mature enough, the Head of Internal Audit will seek to use the results of these processes to inform the scope of internal audit work to be undertaken. Where the registers are not judged to be of sufficient quality or scope to allow their use, then the scope of Internal Audit work shall be based upon a risk assessment undertaken by the Head of Internal Audit and his staff.

6.3 Internal audit coverage will embrace the control environment of the Council and will extend to all areas of the Council and its controlled / related entities.

6.4 Particular attention will be given to any aspects of the control environment affected by significant changes to the Council's risk environment.

7. AUDIT PLAN

7.1 An audit plan providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives, shall be prepared for the approval of the respective Director and the Council's Audit Committee.

7.2 As appropriate, the plan will take account of the role and objectives of internal audit and shall provide for the work of the internal audit team on an annual basis, based upon an assessment of risk. The plan will be prepared in consultation with management to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes, for the approval of the Audit Committee. As is consistent with professional practice, the plan will have an annual dimension but may also reflect an intention to review risks over a longer time period. The plan will be reviewed on a regular basis during the year and adjusted as necessary in response to changes in the Authority, risks, operations, programmes, systems and controls.

8. AUDIT REPORTS

8.1 Reports on individual audit activity will be made on a timely basis. Reports on areas reviewed by Internal Audit, containing feedback to managers shall be issued promptly at the end of each audit review.

8.2 Reports will also be submitted to the respective director and as appropriate to the Chief Financial Officer (Section 151) and to the Audit Committee, in summary form, by the Head of Internal Audit. They will report on significant findings and issues arising from the internal audit work plan.

8.3 The Head of Internal Audit will submit an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:-

a. An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment).

b. A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).

and

c. A statement on conformance with UKPSIAS and the results of the Internal Audit Quality and Assurance and Improvement Programme (see below).

9. AUDIT STANDARDS

9.1 Internal auditing standards shall be consistent with the United Kingdom Public Sector Internal Audit Standards. These standards define how the “Core Principles for the Professional Practice of Internal Auditing” are delivered which ultimately contribute to the function delivering to the Mission Statement of Internal Audit which is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”

9.2 Compliance with these will be assessed through a” Quality Assurance and Improvement Programme”. (QAIP) The QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards

Internal Audit maintains appropriate ongoing quality processes designed to ensure that internal audit work is undertaken in accordance with relevant professional standards. These arrangements include:

- The maintenance of detailed audit procedures
- Detailed job descriptions for each internal audit post
- Regular performance appraisals
- Regular 1:2:1 meetings to monitor progress with audit engagements
- Training plans and associated training activities
- Agreement of the objectives, scope and expected timescales for each audit engagement with clients before detailed work commences (audit specification)
- The results of all audit testing work documented using the Service’s automated working paper system (Teammate)
- File review by supervising officer and sign-off of each stage of the audit process
- A debrief is carried out for each piece of completed work. This identifies any means of improving future reviews of that or similar areas in the future and also any development opportunities for the auditors

- Final sign-off of each job by an audit manager
- Post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- Performance against agreed targets reported to the Audit Committee on a regular basis
- As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge. Where necessary, training and/or support will be provided to address any development needs
- Team meetings are held frequently and away days are held involving review of factors affecting the future of internal audit. Strategic actions required are noted and built into team development & service plans as appropriate
- Internal Audit managers are also members of various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

9.3 Ongoing quality assurance and improvement checks

Specific additional Quality Assurance and Improvement checks are conducted as follows:

- The Head of Internal Audit will maintain a self-assessment against the Standards to confirm conformance with the Standards.
- Audit files are subject to review on a sample basis by the Head of Internal Audit to confirm quality standards are being maintained. The results of the reviews are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned. Appropriate action is then planned in response to QA findings.
- From time to time Internal Audit will seek feedback from clients on the quality of the overall internal audit service. Feedback will generally be sought through the use of surveys.
- At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application and conformance with the Code of Ethics and the Standards. The assessment should conducted by an independent and suitably qualified person or organisation and the results reported to the Audit Committee. Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

9.4 In February 2017, the service had its external assessment undertaken. The assessment has confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the service “Generally Conforms” with the standards. This is an important assessment as it enables the Audit Committee and other key stakeholders to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based. It also provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers. The report was presented to the Audit Committee at its April 2017 meeting.

9.5 The external assessment report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations, and actions emanating from them, have been incorporated into the Service’s Quality Assurance Improvement Plan, and progress against the actions is being reported to the Audit Committee on an ongoing basis.

9.6 The results of the Quality Assurance and Improvement Programme are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in a Team Development Plan. Specific actions may also be included in Internal Audit’s Service plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Team Development Plan, are used to evaluate overall conformance with the Standards, the results of which are reported to senior management and the Audit Committee as part of the annual report of the Head of Internal Audit.

10. RELATIONSHIPS

10.1 The internal audit function, as part of an effective process of service delivery, shall maintain good and effective working relationships with its customers and with those charged with responsibility for partner organisations.

10.2 It shall also maintain effective working relationships with the Audit Committee, the Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer, the External Auditor, other inspection and agency teams, the Council’s members, management and employees.

10.3 Where the Council has partnership arrangements, the Head of Internal Audit will ensure that there is an effective and efficient control environment which takes account of the governance, risk and control framework of the partner body and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols will be set in place where these safeguard the Council’s interests for effective internal audit.

10.4 Where there are incidents of fraud the Head of Internal Audit will advise or intervene as appropriate in ensuring that there is suitable involvement with the Police, or other agencies, and will seek to maintain an effective working relationship with them. This will include, where appropriate, the Benefits Investigation team.

11. ETHICAL STANDARDS

11.1 Internal Auditors will behave at all times in accordance with the highest ethical standards and shall comply with the Council's Code of Conduct and declarations policy where there is a need to declare interests.

11.2 Where there are possible conflicts of interests in its undertaking of any individual audit or series of audits, individual auditors should bring such matters to the attention of their line manager in accordance with good practice.

11.3 Internal Auditors shall at all times fully comply with the requirement of the UKPSIAS in respect the ethical standards within it and a declaration of compliance is completed by all auditors on an annual basis.

12. CONTRIBUTIONS TO ACHIEVING CORPORATE OBJECTIVES

12.1 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. Internal Audit's mission statement per UKPSIAS is defined as, "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.

12.2 This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.

12.3 Internal audit provides an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Any consultancy services and investigative reviews are undertaken subject to there being no impact on the core assurance work and the availability of skills and resources.

13. ASSURANCE SERVICES PROVIDED TO EXTERNAL ORGANISATION S

13.1 Internal Audit provides an audit service to St Leger Homes and supports other partners such as the Internal Drainage Board based within the Borough, where the Council appoint persons to their Boards.

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Doncaster
Metropolitan Borough Council

27 July 2017

To the Chair and Members of the AUDIT COMMITTEE

PARTNERSHIPS GOVERNANCE ARRANGEMENTS

EXECUTIVE SUMMARY

1. This report provides an update to the Audit Committee on the Council's arrangements for improving the oversight of partnerships' activities and, by doing so, strengthen the governance arrangements relating to its partnership working.

2. A partnership has been defined as:

   An entity involving the Council and one or more other bodies working together to achieve an objective relevant to the Council's own priorities, objectives or responsibilities.

3. Local Government and communities' objectives are increasingly met through partnership working. It is not possible for local authorities to deliver services on their own; they must work with others to ensure services meet the needs of those who use or need them, efficiently and effectively. Doncaster Council recognises this and puts partnership working at the heart of its approach.

4. The Council formally makes appointments to a wide range of partnerships including the Combined City Region Authority, various joint committees, various commercial arrangements and even a number of small, local, charities.

5. Attached at **Appendix 1** is a report that was presented to the full Council on 19 May 2017 mainly about its partnership arrangements, including how the Council should seek information and assurance about its partnerships' working. Rather than repeat the key issues from the report, the whole of the document has been appended for Members to review in its entirety.

6. However, the key points arising from the report for the Audit Committee in view of its role in relation to the Council's governance arrangements, including relating to partnerships, are:

   a) The exercise carried out leading to the production of the Council report identified 74 'significant' partnerships. This is not all partnership activity, rather it includes those partnerships meeting both the definition above and other criteria set out in the Council report.

   b) The report highlighted 27 out of the 74 partnerships where reviews will be carried out to determine whether the Council should continue (or not) its participation. This ensures historic arrangements do not continue in perpetuity if their value no longer justifies the consumption of finite Council resources (mainly in this context in the form of Members' and/or officers' time). These reviews are currently ongoing.

c) Prior to the approval of the report, information relating to only 9 of the partnerships was fed back formally to any part of the Council (eg Council, Cabinet etc). This makes it difficult for the Council corporately to confirm and demonstrate best value is being achieved through these arrangements. It also leaves the Council potentially exposed to the implications of any poor decisions or actions taken by the partnerships.

d) Consequent to the above, the Council report identified new proposed (and approved at the 19 May Council meeting) reporting lines for all 74 partnerships. In the future, either minutes or summary briefing reports will be presented somewhere in the Council, where there will be a responsibility for overseeing the activities and decisions of the partnerships. When implemented, this will significantly strengthen the Council's oversight of partnerships activities and manage partnership risks much better.

e) The reporting structures are based on a logical relationships between the partnerships and the bodies proposed to receive information about the partnerships. So, for example, details relating to statutory joint authorities should be given to full Council, regional overview and scrutiny bodies' activities should be referred to scrutiny and any partnerships where executive powers have been delegated would report to Cabinet. The overview of smaller partnerships, many of which are charitable in nature, is delegated to relevant officer management teams; this is proportionate to their level of significance and allows a fair allocation of the overall level of work involved.

f) In terms of the details to be reported, in most cases it is proposed minutes will be used. However, where formal minutes do not exist or are not useful in providing information, short reports will be produced summarising the partnerships' activities, including any forward plans where these are held.

g) The frequency of reports (where these are used instead of minutes) will be either half-yearly or yearly, and will be determined for each partnership based upon its inherent significance.

h) Lead officers are being nominated for each partnership and it will be the lead officers' roles to ensure appropriate flows of information are made into the Council, either through minutes or reports. Lead officers will also be asked to confirm each year, as part of the Council's preparation of its Annual Governance Statement, that there have been no significant governance issues arising from the partnership activity during the year. Or, where there have been any issues, how these have been reported and addressed. Again, this will significantly strengthen arrangements and will provide good evidence of the effectiveness of the governance arrangements in place

7. Overall, the new arrangements will ensure there is structured consideration of partnerships' activities, and effective and formal reporting into an appropriate group within the Council, enabling action to be taken if/when anything untoward happens. The arrangements will also provide for much better transparency about the value of partnership working and, where this might indicate limited value, facilitate challenge over the arrangements and thereby ensure or improve value for money. The arrangements represent a sizeable step forward over the arrangements that existed prior to the completion of the work.

8. Within the Council report, it recognises that persons appointed to represent the Council on external partnerships will need ongoing support and training to fulfil their roles and the Council's expectations. Provision has been made for this through additional training sessions that are currently being held for appointed persons. Appointed persons are also offered ongoing support either from their lead officer or the Democratic Services Team. This should help appointed persons carry out their roles effectively, make a solid contribution to the partnerships, and ensure the Council's interests are adequately preserved and promoted.

9. The Council currently has 10 internal management boards and steering groups covering key strategic activities, namely:

   - Doncaster Growing Together Board
   - DN17 Implementation Boards
   - Children's Trust Management Board
   - Adults Improvement Board
   - Corporate Governance Group
   - Senior Information Risk Officer (SIRO) Group
   - Corporate IT Governance Board
   - Investment Modernisation Fund Board
   - Property Investment Board
   - Major Projects and Investment Board.

   The principles applying to external partnerships will also be applied to these important and strategic internal groups, again to ensure there is more formal oversight of their activities and decisions.

10. The report to the Council also covered linked matters about provision with the Council constitution for questions to be asked of Chairs of Committees in full Council meetings. This is not referred to further in this report, except

to say that the Council agreed the provision of ‘question time’ will be extended at Council meetings to now include the Chair of the Audit Committee. This means any Member will now be able to ask questions of the Chair of this Committee without notice. This could help raise the profile of the Audit Committee and the work it does.

RECOMMENDATIONS

11. **The Audit Committee is asked:**
    - **To note the Council report and the actions approved by the Council at its meeting on 19 May 2017**
    - **To note specifically the provisions relating to partnerships**
    - **To note the actions in progress following approval of the recommendations in the Council report.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

12. A set of principles and practice for the reporting of partnerships’ decisions and activities ensures the Council adopts a consistent and proportionate approach to managing partnerships’ risks. This ensures there is adequate stewardship of public funds on behalf of citizens, and provides confidence to the Public that effective controls are in place to manage risks.
13. Effective governance also ensures partnerships’ working contributes to the effective and efficient provision of services to the Public and the achievement of value for money.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

14. Not applicable - for information only

IMPACT ON THE COUNCIL’S KEY OUTCOMES

15. Good partnerships’ governance has the following impacts on Council priorities

Outcomes	Implications
All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster’s vital services*	
People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the	

cost of living	
People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	
All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
Council services are modern and value for money.	By providing robust partnership guidance ensures the stewardship of public funds.
Working with our partners we will provide strong leadership and governance.	Strengthening partnership working by identifying, managing and reducing risks in order to enable strategic and operational partnerships achieve all our objectives.

RISKS AND ASSUMPTIONS

16. Failure to review partnerships' and key internal groups' activities exposes the Council to risks that can impact on a number of levels as follows:

- Failing to ensure an effective *Strategic Fit*
- Failing to identify and address the gaps and shortfalls in *Relationships*
- Failing to fully assess and plan for the *Organisational Impact* the changes will have; and
- Failing to robustly develop and test the *Economic Case* for partnership working
- Reputational damage to DMBC due to flawed partnerships
- Conflicts of interest not being managed
- Damaged relationships with partners.

LEGAL IMPLICATIONS

17. Various legal arrangements apply to partnerships. Advice is provided as appropriate during the setting up of partnerships and on an ongoing basis.

FINANCIAL IMPLICATIONS

18. There are no financial implications arising specifically from this report.

HUMAN RESOURCES IMPLICATIONS

19. There are no specific human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

20. There are no specific technology implications arising from this report.

EQUALITY IMPLICATIONS

21. The adoption of this strategy ensures a consistent approach to partnerships.

CONSULTATION

22. The production of this report has involved consultation with:
    - The Director of Finance and Corporate Services
    - The Assistant Director Legal and Democratic Services
    - The Strategic Performance Unit
    - The Head of Internal Audit
    - Data collected from all services.

23. It has also involved data collected from and relating to partnerships.

BACKGROUND PAPERS

24. CIPFA/SOLACE *Delivering Good Governance* Framework and Guidance.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, x 62939

Steve Mawson
Assistant Director Finance and Chief Financial Officer

Appendices Attached

Appendix 1 - Governance Arrangements, Oversight and Transparency of the Work of External Partnerships and Council Committees, Council Report 19 May 2017

Agenda Item No:
Date:

To the Chair and Members of the COUNCIL

GOVERNANCE ARRANGEMENTS: OVERSIGHT AND TRANSPARENCY OF THE WORK OF EXTERNAL PARTNERSHIPS AND COUNCIL COMMITTEES

EXECUTIVE SUMMARY

1. This report follows an assessment of the Council's working in partnerships, conducted during 2016/17. It seeks to strengthen the accessibility and oversight of information relating to partnerships' activities in order to ensure, on an ongoing basis, partnerships are operating effectively, contributing to borough and corporate priorities and providing value for money. The assessment in 2016/17 has also led to a proposal to review the Council's participation in a number of partnerships during 2017/18.
2. This report also refers to arrangements in place to support Members involved in formal partnership working on behalf of the Council. These arrangements include the provision of training and support, and the provision of guidance and rules relating to the avoidance of conflicts of interest.
3. This report also seeks to address a current anomaly within the Council's constitution relating to Members' ability to pose questions without notice in Council meetings to Chairs of committees. Currently, some Chairs can be asked questions by Members without notice while others cannot.

RECOMMENDATIONS

4. **The Council is asked:**
   - **To agree the reporting and reviewing of partnerships' activity set out in paragraphs 14 to 16 and appendices 1 to 3 of this report**
   - **To note the proposal to review the Council's participation in a number of partnerships, and to present details of reviews and any proposals in due course to the relevant body responsible for overseeing each respective partnership, as shown in appendices 1 to 3**
   - **To agree to the refreshing and re-running of training events for appointed persons to ensure they are clear about their roles and responsibilities, and to make attendance at training mandatory for appointed persons**
   - **To note the importance of avoiding and managing any potential conflicts of interest relating to partnership workings**
   - **To approve proposals for allowing Members' questions without notice at Council meetings to the Chairs of the Audit and Elections & Democratic Structures Committees and the Health and Wellbeing Board and amend**

the Council's Constitution (Council Procedure Rule 15.2.1) accordingly.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. A set of principles and practice for the reporting of partnerships' decisions and activities ensures the Council adopts a consistent and proportionate approach to managing partnerships' risks. This ensures there is adequate stewardship of public funds on behalf of citizens, and provides confidence to the Public that effective controls are in place to manage risks.
6. Effective governance also ensures partnerships' working contributes to the effective and efficient provision of services to the Public and the achievement of value for money.

BACKGROUND AND PROPOSALS

Background

7. Local Government and communities' objectives are increasingly met through partnership working. It is not possible for local authorities to deliver services on their own; they must work with others to ensure services meet the needs of those who use or need them, efficiently and effectively. This is not just at a statutory level, involving working with other public sector bodies; it is also at a very local level, with community based groups
8. Doncaster Council recognises this and puts partnership working at the heart of its approach. Leadership encourages and expects all Members and officers to look for opportunities to work with others both strategically and while carrying out their day-to-day activities. In leading the authority and in their representative roles, Members in particular will wish to see and shape the development of partnership working to achieve corporate and borough priorities.
9. Locally, the need for appropriate partnerships' governance has been highlighted through:
    - Historically, decisions being made by individuals without having the necessary delegated authority
    - Interventions being required to help address financial risks
    - Inconsistent and in some cases insufficient oversight of formal partnership activity
    - Uncertainty amongst some appointed persons about their roles and respective responsibilities to partnerships and the Council
    - Partly related to the above, some difficulties in relation to potential conflicts of interest relating to individuals' substantive and appointed roles.
10. The Council formally makes appointments to a wide range of partnerships including the Combined City Region Authority, various joint committees, various commercial arrangements and even a number of small, local, charities. There are a number of reasons why these appointments are made formally, ranging from legislation or regulations, long-standing agreements and trust/company constitutions. At the moment, however, there is not consistency in how the Council

receives information about its partnership activity.

11. This report seeks to implement effective and consistent arrangements for the oversight of the work of external partnerships, balancing the need to meet good governance requirements while not straightjacketing every partnership meeting and conversation with significant bureaucracy. To not put in place appropriate arrangements would leave the Council potentially exposed to the implications of any poor decisions or actions taken by any partnerships.

External Partnerships

12. For the purposes of this report, a partnership has been defined as:

    An entity involving the Council and one or more other bodies working together to achieve an objective relevant to the Council's own priorities, objectives or responsibilities.

13. Other criteria that would determine the formal status of any partnership are (1) that they require formal appointment by the Council or Mayor and/or (2) they are significant for other reasons, including they:
    - Have a significant role in relation to the achievement of a Council objective or priority
    - Involve a significant financial commitment by the Council or could have a significant financial impact
    - Have or could have a very significant reputation impact.

14. The number of external partnerships identified based on this definition and criteria is 74. Currently, with a small number of exceptions (specifically, 9 partnerships), the activities and decisions of the partnerships are not reported into or overseen by any group within the Council's formal structure. This makes it difficult for the Council corporately to confirm and demonstrate best value is being achieved through these arrangements. It also leaves the Council potentially exposed to the implications of any poor decisions or actions taken by the partnerships.

15. **Appendices 2 and 3** in this report show the proposed reporting lines for all external partnerships identified through the 2016/17 exercise. These proposals are based on a logical relationship between the partnerships and the body proposed to receive information about the partnerships. So, for example, details relating to statutory joint authorities should be given to full Council, regional overview and scrutiny bodies' activities should be referred to scrutiny and any partnerships where executive powers have been delegated would report to Cabinet. It is proposed that overview of smaller partnerships, many of which are charitable in nature, should be delegated to relevant officer management teams; this would be proportionate to their level of significance and allow a fair allocation of the overall level of work involved.

16. In terms of the details to be reported, in most cases it is proposed minutes will be used. However, where formal minutes do not exist or are not useful in providing information, short reports will be produced summarising the partnerships' activities, including any forward plans where these are held. The frequency of reports (where these are used instead of minutes) will be either half-yearly or yearly, and will be determined for each partnership based upon its inherent significance, taking

account of:

- The potential impact on Council services or resources that could be made by decisions of the partnership
- The level of funding committed to the partnership
- Any specific reputation risks
- The infrastructure and governance arrangements applicable to the partnership
- Any previous weaknesses experienced.

Review of Partnerships

17. The assessment conducted in 2016/17 has highlighted a number of partnerships where it is proposed to review the Council's involvement and, where appropriate, suggest the Council's withdrawal from the partnerships or the partnerships' cessation. In some cases the partnerships are, in practice, obsolete, having not met for several years. In other cases, the Council's participation is long-standing and historic, and may not now be desirable or sustainable. The partnerships where further consideration of the Council's participation will be given during 2017/18 are indicated in appendices 2 and 3. Any proposals for change will be presented on a case by case basis to the relevant body responsible for overseeing each respective partnership, as shown in appendices 2 and 3.

Support Arrangements and Conflicts of Interest

18. Feedback from persons appointed to represent the Council on partnerships confirms a need to continue with and augment current training provision to help appointees to fulfil the roles expected of them. Training has been made available to appointed persons over the last two years, however, not all appointed persons were able to attend, and there have since been new appointments made.
19. Support is also available on an ongoing basis primarily from Legal and Democratic Services to any appointees who have any specific queries or concerns. There is an ongoing need to provide training and support to persons appointed to partnerships.
20. Training covers appointees' responsibilities to the partnership and Council, and also how to deal appropriately with any conflicts that might arise from time to time. Wherever possible, placing representatives in roles that would create a clear potential for conflict with their substantive positions should be avoided or, if it cannot be avoided, appropriately declared and managed.

Internal Management Boards and Steering Groups

21. The Council currently has 10 internal management boards and steering groups covering key strategic activities, as follows:
    - *Board to manage the 2017/2021 4 year plan (Title to be confirmed)*
    - DN17 Implementation Boards
    - Children's Trust Management Board
    - Adults Improvement Board
    - Corporate Governance Group

- Senior Information Risk Officer (SIRO) Group
- Corporate IT Governance Board
- Investment Modernisation Fund Board
- Property Investment Board
- Major Projects and Investment Board.

22. The Children's Trust Board Management Group feeds directly through to quarterly reviews carried out by Scrutiny. Programmes relating to DN17 Implementation Boards and Adults Improvement Board are reported through the quarterly performance monitoring processes currently in place, and this is the intention for the new 2017/2021 4 year plan.
23. The other internal groups listed above do not currently report into the Directors' Group on any routine or regular basis, which means the Directors' Group may not be fully informed of key developments and/or decisions. Without this, the Directors' Group is unable easily to consider and determine any specific issues arising from the activities of these groups that need referring through to Members. In the future, these groups will report activities and progress to the Directors' Group.

Council Committees and Opportunities for Questions at Council Meetings

24. The Council has the following 6 principal standing committees (excluding any committees meeting on an infrequent or ad-hoc basis to consider issues required at any point in time and any sub-committees):
    - Audit Committee
    - Elections and Democratic Structures Committee
    - Health and Wellbeing Board
    - Licensing Committee
    - Overview and Scrutiny Management Committee
    - Planning Committee.
25. The Committees perform specific functions on behalf of the Council. As part of the Council's formal structure, the minutes of these committees are published on the Council's website, which provides details of the issues considered and any decisions taken. This provides for transparency over the business of the committees.
26. The Council makes various provisions for questions to be asked at Council and Committee meetings. One provision, referred to as 'Question Time', provides for "*an opportunity for a Member of the Council to ask the Mayor, the relevant Cabinet Member or the Chair of Overview and Scrutiny any question without notice which is relevant to the discharge of their role and responsibilities*" (Procedure Rule 15.2.1).
27. It is suggested that the opportunity to ask questions of Chairs of committees be extended to include the Chairs of the Audit Committee, the Elections and Democratic Structures Committee, and the Health and Wellbeing Board. This would provide a consistency of approach and increase democratic accountability. It is not proposed to allow questions of the Chairs of either Planning or Licensing Committee given the quasi-judicial role which these Committees undertake. It is

essential that both Committees remain independent of Council.

OPTIONS CONSIDERED

28. **Option 1**: To not develop existing arrangements means the Council continues to not formally receive information on key partnerships' activities, in an environment where partnership working is increasing and becoming more complex, and on internal steering groups' activities. Without consistent and effective information on their activities, it is more difficult for the Council to understand and register the effects of decisions made by partnerships and steering groups, and take action where appropriate on any decisions made / proposed. The option to do nothing, therefore, misses the opportunity / requirement to respond to the ever-growing incidence of partnerships working and strengthen the Council's control framework and its management of risks.
29. **Option 2**: Implementing arrangements to receive and record details of partnerships' and key internal steering groups' activities would enable the Council to more easily see and demonstrate the value of partnership working, and place the Council in a better position to respond to any issues arising.

REASONS FOR RECOMMENDED OPTION

30. **Option 2** is the recommended option. It places the Council in a better position to asses any financial or services issues / risks being created that need a Council input. Option 2 will better protect the Council's interests.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

31. Good partnerships governance has the following impacts on Council priorities

Outcomes	**Implications**
All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	
People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	
People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities*	

• *Mayoral Priority: Bringing down the cost of living*	
All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
Council services are modern and value for money.	By providing robust partnership guidance ensures the stewardship of public funds.
Working with our partners we will provide strong leadership and governance.	Strengthening partnership working by identifying, managing and reducing risks in order to enable strategic and operational partnerships achieve all our objectives.

RISKS AND ASSUMPTIONS

32. Failure to review partnerships' and key internal groups' activities exposes the Council to risks that can impact on a number of levels as follows:
    - Failing to ensure an effective *Strategic Fit*
    - Failing to identify and address the gaps and shortfalls in *Relationships*
    - Failing to fully assess and plan for the *Organisational Impact* the changes will have; and
    - Failing to robustly develop and test the *Economic Case* for partnership working
    - Reputational damage to DMBC due to flawed partnerships
    - Conflicts of interest not being managed
    - Damaged relationships with partners.

LEGAL IMPLICATIONS

33. Various legal arrangements apply to partnerships. Advice is provided as appropriate during the setting up of partnerships and on an ongoing basis.

FINANCIAL IMPLICATIONS

34. There are no financial implications arising specifically from this report.

HUMAN RESOURCES IMPLICATIONS

35. There are no specific human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

36. There are no specific technology implications arising from this report.

EQUALITY IMPLICATIONS

37. The adoption of this strategy ensures a consistent approach to partnerships.

CONSULTATION

38. The production of this report has involved consultation with:

- The Director of Finance and Corporate Services
- The Assistant Director Legal and Democratic Services
- The Strategic Performance Unit
- The Head of Internal Audit
- Data collected from all services.

39. It has also involved data collected from and relating to partnerships.

BACKGROUND PAPERS

40. CIPFA/SOLACE *Delivering Good Governance* Framework and Guidance.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, x 62939
Scott Fawcus, Assistant Director Legal and Democratic Services, x 34640

Simon Wiles
Director of Finance and Corporate Services

APPENDIX 1

DONCASTER MBC – GOVERNANCE DELEGATIONS

Council

Council Committees	*Council Appointments*	*Executive Appointments*	*Directors*
• Audit Committee • Elections and Democratic Structures Committee • Health and Wellbeing Board • Licensing Committee • Overview and Scrutiny Management Committee • Planning Committee	• 32 Partnerships - See Appendix 2 for reporting lines	• 39 Partnerships* - See Appendix 3 for reporting lines	• *Board to manage the 2017/2021 4 year plan (Title to be confirmed)* • DN17 Implementation Boards • Children's Trust Management Board • Adults Improvement Board • Corporate Governance Group • Senior Information Risk Officer (SIRO) Group • Corporate IT Governance Board • Investment Modernisation Fund Board • Property Investment Board • Major Projects and Investment Board.

**** Three 'partnerships' do not require official appointments (South Yorkshire Leaders' Group, Sheffield City Region Chief Executives and Sheffield City Region Directors of Finance, which are attended by the respective post-holders)***

APPENDIX 2

DONCASTER MBC – GOVERNANCE DELEGATIONS REPORTING LINES

Council Appointments

Delegations and Reporting Lines:

Full Council

- Sheffield City Region Combined Authority
- Sheffield City Region Combined Authority Transport Committee
- Sheffield City Region Local Enterprise Partnership
- South Yorkshire Fire and Rescue Authority
- South Yorks Police and Crime Panel
- South Yorkshire Pensions Authority
- Team Doncaster

Health & Well-Being Board

- Safeguarding Adults Partnership Board
- Doncaster Safeguarding Children Board
- Learning Disability Partnership Board
- Dementia Strategic Partnership
- Joint commissioning co-ordination committee

Scrutiny

- Joint Health Overview & Scrutiny Committee: Yorks & Humber Councils *
- Joint Health Overview & Scrutiny Committee: Commissioners Working Together *

Regen & Env DMT

- Industrial Communities Alliance
- Humberhead Levels Partnership
- Robin Hood Airport Doncaster Sheffield Consultative C'ttee *
- Robin Hood Airport Doncaster Sheffield – Noise Monitoring and Environmental Sub-Committee *
- East Doncaster Development Trust *
- Bentley with Arksey Doles Charity *
- Cantley Poor's Land Trust *

Learning & Opps DMT

- Standing Advisory Council for Religious Education (SACRE)
- Doncaster Schools' Forum
- Travis Educational Foundation *

Adults, Health &WB DMT

- Mexborough Citizens Advice Bureau *
- North East Doncaster Citizens Advice Bureau *
- Cooke Almshouse Charity *
- Doncaster and District Deaf Society*

Finance & Corp Services DMT

- Sheffield City Region Combined Authority Overview and Scrutiny Committee
- Sheffield City Region Combined Authority Audit Committee
- Adwick Charities *
- Mexborough Charity Trust *

***Partnerships identified with an asterisk will be subject to further consideration in 2017/18**

DONCASTER MBC – GOVERNANCE DELEGATIONS REPORTING LINES

Executive Appointments I

Delegations and Reporting Lines:

Full Council

- South Yorkshire Joint Local Pensions Board
- Corporate Parenting Board

Cabinet

- Barnsley, Doncaster and Rotherham Waste Partnership
- Yorkshire Purchasing Organisation
- St Leger Homes
- (Trent) Regional Flood & Coastal Committee
- Yorkshire Regional Flood and Coastal Committee
- Yorkshire & Humber (Local Authorities) Employers' Association
- South Yorkshire Trading Standards *
- Joint Committee for South Yorkshire Archaeology *
- South Yorkshire Joint Advisory Committee on Archives *

Executive Board

- Doncaster Culture & Leisure Trust
- Doncaster Performance Venue Trust
- Doncaster Racecourse Management Company Ltd
- Local Government Association
- Special Interest Group of Municipal Authorities (SIGOMA)
- South Yorkshire Leaders' Group **

Scrutiny

- Doncaster Children's Services Trust

***Partnerships identified with an asterisk will be subject to further consideration in 2017/18**

**** Attended by the Mayor as Leader – no official appointment required**

APPENDIX 3

DONCASTER MBC – GOVERNANCE DELEGATIONS REPORTING LINES

Executive Appointments II

Delegations and Reporting Lines:

Directors' Meeting

- Rotherham, Doncaster and South Humber NHS Foundation Trust (RDaSH)
- Doncaster & Bassetlaw Hospitals NHS Foundation Trust
- Sheffield City Region Chief Executives **

Regeneration & Environment DMT

- South Yorkshire Safer Roads Partnership
- Doncaster Chamber of Commerce
- Danvm Drainage Commissioners Board
- Doncaster East Drainage Board
- Black Drain Internal Drainage Board
- Arpley Gas (BDR Property Ltd)
- Strategic Aviation Special Interest Group (SASIG) *
- Air Transport Forum *
- English Heritage *
- PATROL (Parking and Traffic Regulation Outside of London) Adjudication Joint Committee *
- Dearne Valley Landscape Partnership *
- Groundwork South Yorkshire *
- National Coal Mining Museum for England – Liaison Committee*
- Rural Action Yorkshire *
- Trans Pennine Trail Partnership*
- Reserve Forces & Cadets Association for Yorkshire & Humber

Adults, Health & Well-Being DMT

- Migration Yorkshire Board
- Yorkshire & Humber Strategic Migration Group (to represent South Yorkshire on this Group)
- DARTS (Doncaster Community Arts) *
- Doncaster Relief in Sickness Fund *

Finance & Corp Services DMT

- Sheffield City Region Directors of Finance ***

***Partnerships identified with an asterisk will be subject to further consideration in 2017/18**

**** Attended by the Chief Executive – no official appointment required**

***** Attended by the Assistant Director Finance and Chief Financial Officer – no official appointment required**

Doncaster
Metropolitan Borough Council

27th July 2017

To the Chair and Members of the
AUDIT COMMITTEE

IMPROVING GOVERNANCE AT DONCASTERS INTERNAL DRAINAGE BOARDS

EXECUTIVE SUMMARY

1. The Audit Committee has responsibility for overseeing governance arrangements at the Council, including relating to its key partnerships. This report provides information on governance related matters at the three drainage boards in Doncaster (Danum, Doncaster East and Black Drain). It follows reports presented to the Audit Committee in April and November 2015. The Council, along with Barnsley and Selby Councils in the case of Danum Drainage Board, appoints a majority of members to the Boards and therefore these are amongst the Council's significant partnerships.

2. For various reasons outlined in the report, Internal Audit has carried out significant pieces of work across the three Drainage Boards in Doncaster over the last three years.

3. During the same period, Internal Audit has worked closely with the National Audit Office (NAO) on a NAO review of drainage boards' governance. A report produced by the NAO in March 2017 pleasingly reflects much input by the Internal Audit Team and it is hoped will lead to improvements nationally and regionally. This report makes reference to some of these regional and national developments.

4. No action is required by the Audit Committee, other than to note the update provided.

EXEMPT REPORT

5. The report is not exempt.

RECOMMENDATION

6. The Audit Committee is asked to note:

- **the progress made to date and the further actions proposed to improve governance at Doncaster's Internal Drainage Boards**
- **Internal Audit's influential involvement in the National Audit Office's work and the NAO's report on drainage boards' governance.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

7. Drainage Boards play a significant part in water level management within and

beyond the Borough. Effective governance supports the Boards' arrangements for the delivery of their objectives.

8. Drainage boards raise a large proportion of their funding via Doncaster Council. They are significant partnerships and present a number of lessons to the Council in relation to its working with partners and the Council's expectations that partners should comply with the same standards of governance that the Council itself has in place. Current, general, work on partnerships' governance will seek to ensure partnerships meet the high standards expected of them, but that where they are falling short, the Council's representatives on the partnerships can be supported to raise matters appropriately and help achieve appropriate remedial action.

BACKGROUND

Drainage Boards

9. Drainage Boards exist to ensure there are appropriate flood alleviation measures in place in areas of low lying land. The Land Drainage Act 1991 is the key legislation relating to drainage boards. Boards carry out works that will have a general benefit in relation to the protection of the area's properties and communities. Boards' responsibilities have evolved, and now include contributing to managing flood risk and protecting and enhancing biodiversity in urban and rural areas.

10. Drainage Boards are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Boards also have a duty to make arrangements to secure continuous improvements in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

11. Doncaster Council has three Internal Drainage Boards (IDB's) within its boundaries, Danum Drainage Board, Doncaster East Internal Drainage Board and Black Drain Drainage Board. All three were formed in April 2012 by a Constitution Order under the Land Drainage Act 1991 (as amended) following amalgamation of the several smaller IDB's.

12. Each Drainage board has a set number of Members who are either elected from within the drainage board area (typically large landowners) or are nominated / appointed members from levy-paying local authorities. The numbers of members are set to provide a majority of 1 in favour of the (Council) nominated members. The Boards in Doncaster meet three times a year, with administrative and technical support being provided through tendered Clerk of Works Service Contracts.

Background to Internal Audit Involvement

13. A number of concerns were raised by a member of the public as to how the Danum Drainage Board was operating. The member of the public had made several complaints to the Board during 2012 and 2013 regarding these concerns, however, had not felt that these had been properly dealt with or adequately investigated and concluded. Subsequently, the member of the

public voiced their concerns in a letter to the Mayor of Doncaster in view of Doncaster Council being the majority contributor to the Danum Drainage Board's Budget.

14. As a result of the concerns raised and the Board's lack of response to the concerns, Internal Audit was asked to carry out an audit of the Board's governance arrangements. Whilst the work was being carried out, other governance issues became apparent at the other two drainage boards in the Doncaster area.

Previous Reporting to the Audit Committee

15. At the April and November 2015 meetings of the Council's Audit Committee, Internal Audit reported concerns over the governance arrangements at the Danum Drainage Board and the progress being made there to improve arrangements.

WORK CARRIED OUT AND ISSUES ARISING

Danum Drainage Board

16. Our governance review at Danum Drainage Board found that governance at the Board failed to meet the standards applicable to the Public sector. In particular, there was:
    - A lack of strategic planning relating to water management
    - Questions regarding the appropriateness of the use of Public resources
    - Inadequate transparency and accountability relating to decision making and responsiveness to complaints from the Public
    - Inadequate arrangements and compliance with declarations of interest requirements.

17. We also found other significant concerns regarding the activities of some former Board Members, such that we felt we needed to make South Yorkshire Police aware of these concerns. In the event, having looked at the information presented to them, South Yorkshire Police decided no action should be taken. It did however highlight the seriousness of our concerns.

18. Two Board members, including the former Chair of the Board, resigned during the course of the review as a result of their actions coming to light and following the actions being brought to the attention of the Police.

19. Our first report on the weaknesses found was reported to Drainage Board in November 2014. A follow up audit was carried out during the Summer 2015 to establish progress made by the Board in improving its governance arrangements. This showed considerable progress had been made in implementing the actions agreed by the Board following the initial report.

20. No further work has been undertaken by Internal Audit as it is considered that the Board is now sufficiently well placed to operate in accordance with good governance. The exception to this is around a procedure to deal with poor conduct of standards and this has proven problematic with the limited sanctions available to public bodies. This matter continues to be pursued.

Doncaster East Drainage Board

21. Concerns were raised with Internal Audit on behalf of the Board by the Chair of the Board (Councillor Chris McGuinness) regarding a major funded project in the Doncaster East Drainage Board area which the Board had responsibility for. The specific concerns raised were regarding (1) the legitimacy of an access payment of £30,000 to the then Vice-Chair of the Board and (2) progress in addressing issues raised by the Board's own Internal Auditors over the overall management of the scheme.

22. The Board commissioned Internal Audit Team to carry out a review of the project. To date, an interim audit report providing a summary of the work carried out to date has been presented to and agreed by the Board.

23. Our review found that initial governance arrangements over the project were inadequate. Our concerns centred around potential / perceived conflicts of interest, project award, access payments and the justification for project management fee Increases. While arrangements were improved following a Board audit, they still did not provide an appropriate level of governance required for a project of this nature.

24. The interim audit report presented to the Board made a series of recommendations, all of which were agreed unanimously by the Board Members. The two fundamental actions agreed were:
    - To engage consultants to provide an independent technical assessment of the work undertaken and of the management of the project.
    - To look further at the access payments made by the Board.

25. These are in the process of being pursued.

Black Drain Drainage Board

26. The main governance weakness at the Black Drain Drainage Board related to problems in appointing appropriate persons to the Board and poor attendance records for appointed members. These were dealt with on an ongoing basis, predominantly through the Council's Democratic Services Team and ultimately through the Elected Mayor of Doncaster using her powers of appointment. All the vacant DMBC appointee positions have now been filled and further work is being carried out to continue the improvement in attendance rates.

27. Our involvement has confirmed this Board is well-focussed and effective.

National Audit Office

28. The issues arising in Doncaster were formally referred to the National Audit Office (NAO) by both Internal Audit and the members of the public who had raised the concerns originally regarding Danum Drainage Board. Subsequent contact with the NAO showed that there were fundamental weaknesses in the governance arrangements for IDBs which were not unique to Doncaster.

29. We continued to work with the NAO to assist the Office with a national review it had decided to undertake. In relation to this, we:
    - Held an initial conference call to the Director of the NAO dealing with DEFRA.

- Provided our reports and updates from our Danum Drainage Board reviews.
- Provided a summary report capturing the key concerns our work had highlighted.
- Held further conference calls with the NAO project team to clarify / update them on progress on relevant issues.
- Provided a comprehensive written response to an initial draft of their report.
- Held further conference calls regarding the revised draft report.

30. The NAO issued an investigative report in March 2017 which heavily highlighted the issues and concerns we had raised with them. Subsequently we have maintained contact with the NAO with a view to continuing to support the drive for improvements at regional and national levels, recognising that any strengthening of these arrangements should have a positive knock-on effect at a local level.

31. A summary of the NAO report and Internal Audit's contribution to it are shown in **Appendix 1**.

OUTCOMES / IMPROVEMENTS MADE

32. Although initially it could perhaps not be regarded as a mainstream audit area for Doncaster Council's Internal Audit, our work at the drainage boards has helped highlight and then begin to address a number of significant issues that did not reflect effective partnerships' governance. In this respect, this work has proven to be very valuable. A number of positive outcomes have been achieved, including:
    - Considerable improvements in the governance arrangements in the local drainage boards, including:
        - The Council filling appointments to vacant member positions, ensuring the balance of members is brought to the intended levels and facilitating decision making that is for the benefit of the boards and their stakeholders, and not biased towards the interests of elected members
        - The adoption and reporting of a limited number of performance indicators helping to define outcomes that the Boards are seeking to deliver and transparently reporting progress in achieving them
        - Increased the transparency and accountability through opening up meetings to Public attendance
        - Clear standards and actions needed to promote better governance
        - Improvement in compliance with requirements for managing conflicts of interest.
    - Outstanding significant issues still being addressed by respective parties
    - The development and provision of training to Board Members by the Boards' clerks.
    - The establishment and provision of further training and support, where needed, to Doncaster Council appointees to the Boards

- Supporting and influencing the NAO's national review of drainage board governance arrangements and working with the NAO to continue to seek improvements in the arrangements.

WAY FORWARD

33. Priorities for Internal Audit now, are:

    - To assist in the investigation of the access payment made as part of the project under the Doncaster East Drainage Board
    - To assist independent professional technical consultants to review the delivery and management of the major project delivered through the Doncaster East Drainage Board
    - To progress actions within the NAO report and other local issues to sustain and improve governance.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

34. There are no specific options to consider within this report as it provides an opportunity for the Committee to review and consider progress made against governance issues within Doncaster's Internal Drainage Boards.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

35.

	Outcomes	**Implications**
	All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	
	People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	
	People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	The purpose of Internal Drainage Boards is to protect people and their property against river and surface water flooding, through water level management within low lying areas

	All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	
	Council services are modern and value for money.	The majority of funding for Doncaster's Drainage Boards comes from a levy against Local Authorities. Local Authorities are required to ensure that public funds are spent appropriately and represent value for money. Effective Governance at Drainage Boards helps improve performance and the efficiency of the organisation which in turn impacts on the funding levy paid by Doncaster residents
	Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit has improved and strengthens governance arrangements within the Internal Drainage Boards based within the Borough.

RISKS AND ASSUMPTIONS

36. Failure to address governance weaknesses at the Drainage Boards exposes the council to the risks associated with partnership working that can impact on a number of levels as follows:
    - Failing to ensure an effective Strategic Fit with the authorities flood risk management responsibilities
    - Reputational damage to DMBC due to flawed partnership working
    - Conflict of interest not being managed
    - Damaged relationships with partners
    - Failing to achieve value for money for Doncaster residents.

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LEGAL IMPLICATIONS

37. The Council's current and former Monitoring Officers have been closely involved in aspects of the review and the resolution of the complaints raised by the members of the public.

FINANCIAL IMPLICATIONS

38. There are no specific financial implications associated with this report.

HUMAN RESOURCES IMPLICATIONS

39. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

40. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

41. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

CONSULTATION

42. There was consultation with relevant board members of both the Danum and Doncaster East Drainage Boards and the Clerk to the Boards and his staff throughout the work undertaken. There was also considerable engagement with the members of the public who raised the concerns originally. Finally, there has been effective conveying of information and discussion of the issues identified at these Drainage Boards with the National Audit Office in the production of their report on Internal Drainage Boards in March 2017.

BACKGROUND PAPERS

43. Doncaster MBC, Internal Audit Report - Danum Drainage Commissioners – Governance Audit 2014.

    Doncaster MBC, Internal Audit Report - Doncaster East Internal Drainage Board - Thorne, Crowle and Goole Moors Water Level Management Project – November 2016 and

    National Audit Office – Internal Drainage Boards March 2017

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit,
Tel 01302 862939 E-mail - colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit

Appendix 1

National Audit Office Report

The outcome of our liaison with the NAO was a report by the NAO which highlighted seven headline ‘observations’: This report can be accessed at https://www.nao.org.uk/report/internal-drainage-boards/

NAO Report – Principal Observations	Source of Concern raised by DMBC
Governance and oversight There is no statutory governance standard for IDBs, and the government has no legislative powers to ensure that IDBs, as public bodies, meet expectations for good-quality internal governance and sound financial management There is limited oversight of IDBs’ operations The Association of Drainage Authorities (ADA) supports DEFRA in overseeing the sector and addressing concerns and DEFRA supports ADA in providing advice and support to IDBs.	We highlighted concerns specifically from our work at Danum Drainage Board: From improved responsiveness needed from the EA and DEFRA Limited responsibilities of the External Auditor The NAO acknowledge their oversight role without having direct jurisdiction over individual IDBs ADA as an advisory body being used where a regulatory input was required
Skills to support governance Most IDBs report that they do not have Board members with appropriate environmental expertise, instead accessing the skills they need through consultants. Some smaller IDBs have reported benefits from merging with each other, forming consortia or working collaboratively.	We highlighted the skills issue in our report to Danum Drainage Board and highlighted the need for training – also highlighted by the NAO. We suggested also a size reduction for all three Boards as a means to improve the Board expertise, operation and attendance.
Raising concerns If an individual has a concern about an IDB’s conduct, it is not always clear whom they should approach, and no Government Department has a role under the legislation in ensuring that any concerns raised are addressed.	We highlighted that the route for reporting concerns was ineffectual and unclear from our initial work at Danum Drainage Board when we received the complaints from the members of the public who had exhausted all other means of raising their concerns.

<u>Conflicts of interest</u> The requirements for oversight and assurance of IDBs are not sufficient to ensure that IDBs are able to meet the expectations associated with public expenditure and leaves them vulnerable to potential conflicts of interest.	We highlighted conflict of interest concerns : At all Drainage Boards between elected and nominated members. At Danum and Doncaster East Drainage Boards where the Clerk and his team are overseeing work undertaken by companies and employees within the same group.