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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 Civic Chamber, Civic Office, Waterdale, Doncaster
DATE: Wednesday, 17th August, 2016
TIME: **10.00 am**

Items for Discussion:

		Page No.
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 22nd June, 2016	1 - 8
A.	**Reports where the public and press may not be excluded**	
5.	2015/16 Annual Governance Statement.	9 - 26
6.	Statement of Accounts 2015/16 - ISA Report to those Charged with Governance.	27 - 174
7.	Internal Audit Report for the Period: April 2016 to July 2016.	175 - 196
8.	Strategic Risk Report Mapping.	197 - 204
9.	Internal Audit Team - Annual Fraud Report 2015/16.	205 - 220

Jo Miller
Chief Executive

Issued on: Tuesday, 9 August 2016

Governance Officer for this meeting: Andrea Hedges
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<u>Members of the Audit Committee</u>

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

Councillor Susan Durant, John Healy and Alan Jones

Co-opted Member: Kathryn Smart

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 22ND JUNE, 2016

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on WEDNESDAY, 22ND JUNE, 2016, at 10.00 am.

PRESENT:

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

Councillors Susan Durant, John Healy and Alan Jones.

APOLOGIES:

Apologies for absence were received from Kathryn Smart (Co-Optee).

Also in Attendance:

Colin Earl – Head of Internal Audit
Scott Fawcus – Assistant Director of Legal & Democratic Services & Monitoring Officer
Pat Higgs – Assistant Director, Adult Social Care
Leanne Hornsby – Head of Transformation and Business Support
Peter Jackson – Internal Audit Manager
Steve Mawson – Assistant Director of Finance

1 Declarations of Interest, if any

Councillor Susan Durant declared a non-pecuniary interest in Agenda Item 12 by virtue of being a complainant in one of the cases referred to in the Monitoring Officer's Annual report.

2 Minutes of the meeting held on 7th April, 2016

RESOLVED that the minutes of the meeting of the Audit Committee held on 7th April, 2016 were agreed as a true record and signed by the Chair.

3 Audit Committee Prospectus, Terms of Reference and Work Programme

The Head of Internal Audit presented a report to the Committee that detailed the Terms of Reference and Work Programme for 2016/17. The report also contained a 'prospectus' which set out the scope and approach that would be taken by the Audit Committee. This had been produced for the first time, and it was intended to provide an oversight of the role that the Committee would carry out and would also look to set out the intended outcomes which would be achieved out of the Committee's work.

The Terms of Reference had been approved by Full Council at its Annual Meeting on 13 May, 2016, and minimal changes to these had been made. The most significant change that had been made was as a result of changes made to the Accounts and Audit Regulations which had been updated in 2015, which attributed responsibility for approval of the Annual Governance Statement to the Audit Committee.

The Work Plan aimed to ensure that all areas identified within the Terms of Reference were covered including the following:-

- Internal Audit
- External Audit
- Accounts / Financial Reporting
- Risk Management
- Ethical Governance
- Other Matters

RESOLVED that

1) The Audit Committee considered the prospectus that had been produced;

2) The Committee note the Terms of Reference for the 2016/17 Municipal Year as approved at the Annual Meeting of Council; and

3) The draft work programme be noted.

4 Review of Contract Breaches in Learning Opportunities, Children and Young People

Members of the Committee received an update report with regard to breaches identified since the last Audit Committee on 7 April, 2016 within Learning, Opportunities, Children and Young People Directorate.

Following the identification of a number of breaches of Contract Procedure Rules (CPRs), a review had been undertaken and as a result, a number of issues were highlighted. The Head of Transformation and Business Support was in attendance at the meeting in order to highlight any further issues to Members and answer any queries posed by the Committee.

Members noted that as a result of the findings, Internal Audit would now attend quarterly meetings with the Directorate's Senior Management Group in order to ensure progress was being made and performance was closely monitored.

Queries were raised regarding preventing future breaches, and assurances were given that any problems that arose in the future would result in serious consequences.

RESOLVED that the Audit Committee note the actions identified and progress made against the CPR Compliance Improvement Plan (attached at Appendix 1).

5 Adults, Health and Wellbeing Audit Recommendations progress report including the recovery of overpayment of Direct Payments

The Committee considered a report that detailed the current progress being made in relation to outstanding actions within the Adults, Health and Well Being Directorate, further to a request made by the Committee at its January meeting. The Assistant Director of Adult Social Care was in attendance at the meeting in order to respond to any concerns and questions posed by the Committee.

Members noted that progress had been made, and out of the original 84 actions, there were now only 9 outstanding, with 5 of these relating to Direct Payments Improvement Plan. However, progress was being made and the Assistant Director of Adult Social Care was confident that all actions would be completed and all outstanding reviews undertaken by September, 2016. Therefore as a result of this, Members felt it would be more beneficial to receive a conclusive report on the outstanding actions in November, concentrating solely on the overpayment of direct payments. This was supported by the Head of Internal Audit, who confirmed that he could incorporate any other issues relating to Adults, Health and Well-being within the Council-wide Strategic Risk report.

RESOLVED that

1) the Audit Committee note the update on current Audit recommendations; and

2) a further report be brought to the November meeting of the Audit Committee for consideration.

6 Doncaster Market Follow Up Review

Following a review of the Markets Service in 2015 which resulted in a ‘No Assurance’ report being presented, a follow up audit of governance arrangements had been undertaken in order to ensure that progress was made in improving the service.

The initial review had been undertaken following concerns raised by market traders regarding working practices within the Markets Team, with the main issues relating to general administration, allocation of pitches, procurement and health and safety. Following this review, the further follow-up review by Internal Audit focussed on ensuring that progress had been made and included the following:-

- The implementation of a cashless collection system via the Sundry Debtors System.
- Checks on new Traders were carried out in order to ensure that they held the specific licenses required and that, if appropriate, they were entitled to live and work in the UK.
- Contract Procedure Rule compliance had improved significantly since the report first presented in February 2015.

There were still some outstanding actions to be completed, but it was reported that partial assurance had now been reached and good progress had been made. The actions that remained outstanding were as detailed below:-

- Work was needed on ensuring that a comprehensive and robust recovery policy was in place; and
- A new markets management system to manage market tenancies was under procurement and was expected to be implemented in Quarter 3 of 2016.

Following consideration of the report, Members of the Committee were afforded the opportunity to comment on the issues raised. Members were pleased that the problems were being tackled by management and that the service was being closely monitored to ensure that improvements were made. The Chair commented that it was encouraging that the Markets Service had moved from No Assurance to Partial Assurance already, and was reflective of the changes implemented and improvements made. However, the Committee requested assurances that the deadline of 31 July, 2016 would be met for the improvements, and asked that a further update be provided at the next Audit Committee meeting. In conclusion however, it was considered to be a very reassuring and positive report.

RESOLVED that the Audit Committee note the outcome of the Audit Review and progress made by the Markets and Town Centre Management Team.

7 Annual Payroll Overpayments Update Report - 2015/16

The Assistant Director of Finance presented a report to the Committee that provided an annual update on progress made with regard to recovery of salary overpayments for both current and ex-employees of the Council. Members were informed that it was believed that the Authority had now got to a point where this was at a manageable level, and although errors were still occurring, this was always likely to be the case due to salaries being paid 2 weeks in advance, 2 weeks in arrears.

Following consideration of this, the Committee was afforded the opportunity to ask questions on the report. A number of queries were raised in relation to overpayments, and if any pattern had emerged as to specific issues or Directorates. It was reported that whilst there were no obvious problems in specific areas, it did appear that it was generally related to manual or casual staff where the turnover of employees was higher. However, training for Managers was ongoing and problems were followed up far more effectively, with improved monitoring and exception reporting carried out.

Members acknowledged the work undertaken in improving this issue and welcomed the positive developments. The Chair commended Officers for how far they had come with this. It was felt that as a result, this no longer needed to be presented to the Committee on a regular basis, and it would be satisfactorily monitored by Internal Audit. However, if any problems arose in the future, it could be brought back to the Committee at any point.

RESOLVED that

1) the Audit Committee note the report, the key actions in place and the detailed breakdown and summarised analysis provided in Appendix A to the report; and

2) An annual report for overpayments no longer be presented to the Audit Committee, unless it was deemed necessary by the Head of Internal Audit at a future date.

8 Strategic Risk Update

The Audit Committee considered a report that provided them with an update on Quarter 4 2016/17 for Strategic Risks. Members noted that as a result of the Corporate Plan refresh, a review of Strategic Risks had been undertaken, and as a result, 6 risks had been nominated for demotion, 5 new risks proposed and 2 risks re-worded, all of which were detailed within the body of the report.

The Chair commented that the Audit Committee had requested that ‘mapping' be undertaken in order to allow a ‘deep dive’ into the risks. The Mapping Process would identify where each risk was accountable to and who was responsible and if necessary, would allow the Committee to get more involved in the process and allow them to hold strategic risk owners to account where necessary. It was requested that this be presented to the Audit Committee at the August Meeting in order they had a clear plan to follow. However, Members were advised that it would be difficult to look closely at each risk and it may be more meaningful to look at just a couple of risks. Additionally, it would be more beneficial to wait until the Corporate Plan had been refreshed and agreed by Full Council, before undertaking this exercise.

RESOLVED that

1) The Audit Committee note the review of the Quarter 4 Strategic Risk Profile as attached at Appendix A;

2) The Audit Committee note the review of Strategic Risks for 2016/17 (paragraphs 8-10 of the report);

3) The Audit Committee note the proposed approach to mapping and reporting strategic risks throughout 2016/17; and

4) The Quarter 4 Strategic Risk Profiles attached at Appendix 4 to the report be noted.

9 Data Quality and Information Management Update

The Assistant Director of Finance provided the Audit Committee with an update with regard to the Strategic Risk of Data Quality and Information Management in the Council.

It was reported that Data Quality was important to the Council in order to ensure the provision of accurate and timely information to manage services effectively. Therefore a new Data Quality Strategy was being developed in order to set out the vision for data quality for the next four years, improving data quality across the Council.

Member’s attention was drawn to paragraph 10 of the report, whereby it informed readers that a survey had been carried out in order to indicate a view on the data quality of the system. The results had indicated that it was felt that data was generally of a good quality with 80 of 86 assessments completed coming out as low risk.

However this view was contradicted by Internal Audit and as a result, a new plan was being developed which would hopefully be completed by the end of September, 2016.

It was acknowledged that there were a number of challenges being faced as across the Authority, there were number of different systems being used, and it was imperative that these were all brought together within the new data strategy.

Members raised the issue of a ‘Data Champion’, which was something that had been in place in previous years. The Committee felt that the appointment of someone into this role may be helpful in driving a new Data Strategy forward. There was some uncertainty voiced by Officers as to how this would work with the new Data Strategy and the process being undertaken, but it was something that could be taken forward and fed in as part of the process.

RESOLVED that

1) The Audit Committee note the content of the report; and

2) A further report providing a further update be presented to the Audit Committee at its November meeting.

10 Annual report of the Monitoring Officer

The Monitoring Officer was in attendance at the meeting to present his Annual Report to the Committee which dealt with matters covered by both the current Monitoring Officer, and his predecessor who retired in February, 2016. The report detailed both complaints made against Councillors for breach of the code of conduct, and activity related to the Councils whistleblowing policy.

Members noted that the Monitoring Officer dealt with standards matters not only for the Elected Members of the Council but also for the large number of Parish and Town Councils within the area. Most complaints received related to Parish Councillors rather than borough Councillors and only matters which led to formal complaints were detailed within the report.

The Committee were informed that over the past year, two formal complaints had been made against Borough Councillors, and five against Parish Councillors, and out of these, the Monitoring Officer felt that only one warranted further investigation and referral to the Audit Committee’s Hearings Sub-Committee. This was heard by the Sub-Committee on 14th June, 2016, and an overview of the outcome was provided by the Monitoring Officer at the meeting.

With regard to the Whistleblowing returns for 2015/16, the Committee noted that eight had been received for this period, five of which had resulted in recommendations to make improvements in the service area, but no official breaches were found as a result of these.

RESOLVED that

1) The Audit Committee note the Monitoring Officer’s Annual Report on complaint handling activity for the period 1st April 2015 to 31st March, 2016; and

2) The whistleblowing returns be noted by the Committee for 2015/16.

11 Statement of Accounts 2015/16

The Assistant Director of Finance presented the Councils unaudited Statement of Accounts for the 2015/16 year, which highlighted the overall financial position for the year. Whilst there was no longer any requirement to present the draft accounts to Members prior to the commencement of the external audit process, the Council had chosen to continue with this course of action in the interest of good practice.

Members noted that they had managed to achieve a shorter deadline by 3 weeks than in previous years and was down to a lot of hard work from teams within Finance. The accounts had been prepared in accordance with the IFRS and had been approved by the Council's responsible Financial Officer on 2 June, 2016. They had now been made available for the statutory 6 week period for public scrutiny and they would be subject to external audit from 4 July to 5 August, 2016, following which the Council would finalise the accounts and would be presented to the Committee on 17 August, 2016.

Following consideration of the report, Members were afforded the opportunity to comment and ask questions, which Officers endeavoured to provide clarity on.

RESOLVED that Members note the 2015/16 Statement of Accounts.

12 2015-16 Annual Governance Statement

The Committee were presented with a report that detailed the Annual Governance Statement for 2015/16.

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money, was safeguarded, properly accounted for and used effectively and that there was good governance and system of internal controls in place. Members were informed that it was a statutory requirement by virtue of the Accounts and Audit Regulations (England) 2015, that an annual review of Governance arrangements was carried out and the subsequent publication of an Annual Governance Statement be undertaken. The governance arrangements that had been held in place for 2015/16, had been reviewed and a new Annual Governance Statement had been drafted.

Members noted that there had been two significant weaknesses reported in 2015/16, which were detailed on page 6 of the statement attached to the report. The two issues reported as in need of further improvement were detailed as follows, and greater information was provided within the body of the Statement:-

- Safeguarding Adults Personal Assets Team (SAPAT); and
- Learning Disability / Supported Living Reviews

Following consideration of the Annual Governance Statement, Members of the Committee were afforded the opportunity to comment on the report.

RESOLVED that

1) The Audit Committee note the report; and

2) Members note that following the approval of the draft Annual Governance Statement at the Audit Committee in August, the Mayor and Chief Executive of the Council will be asked to sign the Statement prior to its publication along with the Statement of Accounts in September, 2016.

CHAIR:________________________________ DATE:________________

To the Chair and Members of the AUDIT COMMITTEE

2015-16 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 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 AGS must demonstrably be a corporate document, corporately owned. An Annual Governance Statement has been drafted and is attached as Appendix A. There has been 2 significant weaknesses reported in 2015-16, detailed on page 6 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 September 2016.

EXEMPT REPORT

4. Not Applicable

RECOMMENDATIONS

5. The Audit Committee members are asked to:

   - Approve the attached Annual Governance Statement and;
   - note The Mayor and the Chief Executive will be asked to sign the Statement prior to its publication along with the Statement of Accounts in September 2016.

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. Governance arrangements at Doncaster Council have improved each year and are now more robust than ever before. Our Annual Governance Statement has adopted a code of corporate governance, which is consistent with the principles of Chartered Institute of Public Finance and Accountancy (CIPFA)/ SOLACE Framework. Delivering Good Governance in local Government. 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.

8. The draft Annual Governance Statement was presented to Audit Committee in June 2016 for comments. The draft report was awaiting an update regarding the Childrens Trust Improvement action which has now been provided and is contained with the final Annual Governance Statement (Page 7)

9. The final 2015-16 Annual Governance Statement:

   - Highlights key areas of improvement from 2014-15 that have been completed and have been effectively managed to the extent that they were no longer significant in 2015-16. (Page 5)

   - Identifies new significant issues arising from the 2015-16 review of effectiveness of the corporate governance arrangements (Page 6)

   - Provides an update on the key areas identified during 2014-15 that remain an issue in 2015-16 (Appendix A, Page 7).

OPTIONS CONSIDERED

10. Not Applicable

REASONS FOR RECOMMENDED OPTION

11. Not Applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

12.

	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

13. 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

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCES IMPLICATIONS

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

18. 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

19. 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

20. CIPFA/ SOLACE delivering good governance in Local Government Framework
    Accounts and Audit Regulations (England) 2015.
    2014-15 Annual Governance Statement
    Annual Report of the Head of Internal Audit 2015-16

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Doncaster
Metropolitan Borough Council

Annual Governance Statement 2015-16

What is Corporate Governance?

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.

> Good governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.
>
> *Corporate Governance – Improvement and Trust in local Public Service (Audit Commission 2003)*

Governance Framework

The Council's Governance Framework aims to ensure that in conducting its business it:

- ✓ Operates in a lawful, open, inclusive and honest manner
- ✓ Makes sure public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- ✓ Has effective arrangements for the management of risk
- ✓ Secures continuous improvements in the way that it operates

The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled. The framework brings together an underlying set of legislation requirements, good practise principles and management processes. In addition it enables the Council to monitor the achievements of the Priorities and Outcomes as set out in the Corporate Plan.

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

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 authority's code is on our website at www.doncaster.gov.uk.

This statement explains how Doncaster Council has 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.

About this Statement

The Annual Governance Statement review was conducted by the Corporate Policy and Performance Team. Part of the process included representatives from each directorate collating, reviewing and evidencing compliance and identifying significant governance issues. Issues identified by Internal and External Audit were also considered for inclusion in this statement.

The report covers 1st April 2015 to 31st March 2016. 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 draft statement was presented to Directors in May 2016 and to Audit Committee in August 2016, following which this statement was formally approved.

The Principles

The table below demonstrated how Doncaster Council delivers against the six core principles from the Good Governance Standard for Public Services

Principle 1

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

We achieve this by:

- Publishing our Borough Strategy, Corporate Plan and quarterly performance reports;
- Holding annual Partnership summits;
- Setting a Medium Term Financial Strategy;
- Having a Partnership Charter and Governance Framework;
- Benchmarking with other Local Authorities;
- Adopting a commissioning approach to service provision;
- Regularly updating out Corporate Procurement Strategy;
- People Strategy;
- Adopting an Outcome Based Accountability approach; and
- Improved effectiveness of partnerships.

Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

We achieve this by:

- Holding regular Directors and Executive Board meetings;
- Holding quarterly finance and performance challenge meetings;
- Setting out clear terms of reference for the Councils committees;
- Having a constitution that clearly sets out roles and responsibilities;
- Regularly updating Cabinet decision records;
- Setting out key aspects of the councils internal control measures in our constitution;
- Our Team Doncaster approach;
- Improved relationships between officers and members; and
- Effective use of our Overview and Scrutiny Management Committee.

Principle 3

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

We achieve this by:

- Ensuring our constitution contains guidance on officer and member conduct;
- Having an Audit Committee which takes an active interest in the maintenance of standards across the Council;
- Having an effective whistleblowing policy
- Maintaining an Internal Audit Function
- Having and Anti-fraud, bribery and corruption framework;
- Team Doncaster Staff Charter; and
- Staff Performance Framework.

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

We achieve this by:

- Implementing out Risk Management Framework;
- Considering significant risks in all formal decision-making and major projects/programmes;
- Publishing our Strategic Risk Register as part of our quarterly challenge process;
- Approving our Annual Governance Statement;
- Approving our Annual Accounts;
- Receiving reports from Internal and External Audit;
- Having clear procedures to comply with Freedom of Information requests;
- Effective use of equality information;
- Using accurate information to base decisions on; and
- Promoting a culture of openness and honesty.

Principle 5

Developing the capacity and capability of members and officers to be effective

- **We achieve this by:**
- Providing an intensive 5 day member induction programme;
- Providing Personal Development Plans for all staff to ensure they know what work priorities they have and what work is expected of them;
- Have a suite of mandatory training for members;
- Implementing a comprehensive e-learning package;
- Leadership Academy; and
- Mandatory training for officers;

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability

- **We achieve this by:**
- Having a Community Engagement and consultation strategy
- Using the Public consultations element on the Website
- Having a Voluntary, Community and Faith sector strategy;
- Considering consultations as part of our reporting process, where relevant;
- Compliance with the Local Government Transparency Code; and
- Publishing equality information on our website.
- Using social media to communicate with the public;

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 Director of Finance and Corporate Services and includes other key officers with responsibility for promoting good governance across the organisation. The Group has led on the development of governance arrangements at the Council, including in 2015/16:

- Ensuring the Council complies with best practice guidance issued by CIPFA / SOLACE and any other sector leading advice;
- Refreshing and re-launching a range of corporate policies and procedures;
- Ensuring senior managers confirm compliance with policies and procedures;
- Ensuring recommendations made by Internal Audit, External Audit, the Audit Committee and other key stakeholders about the Council's governance arrangements are fully and effectively actioned;

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 of the council's Financial Accounts, grant claims and performance indicators
- review the adequacy of performance management arrangements including the Best Value Performance Plan
- review aspects of Corporate Governance and the Statement of Internal Control
- assess the financial standing of the authority

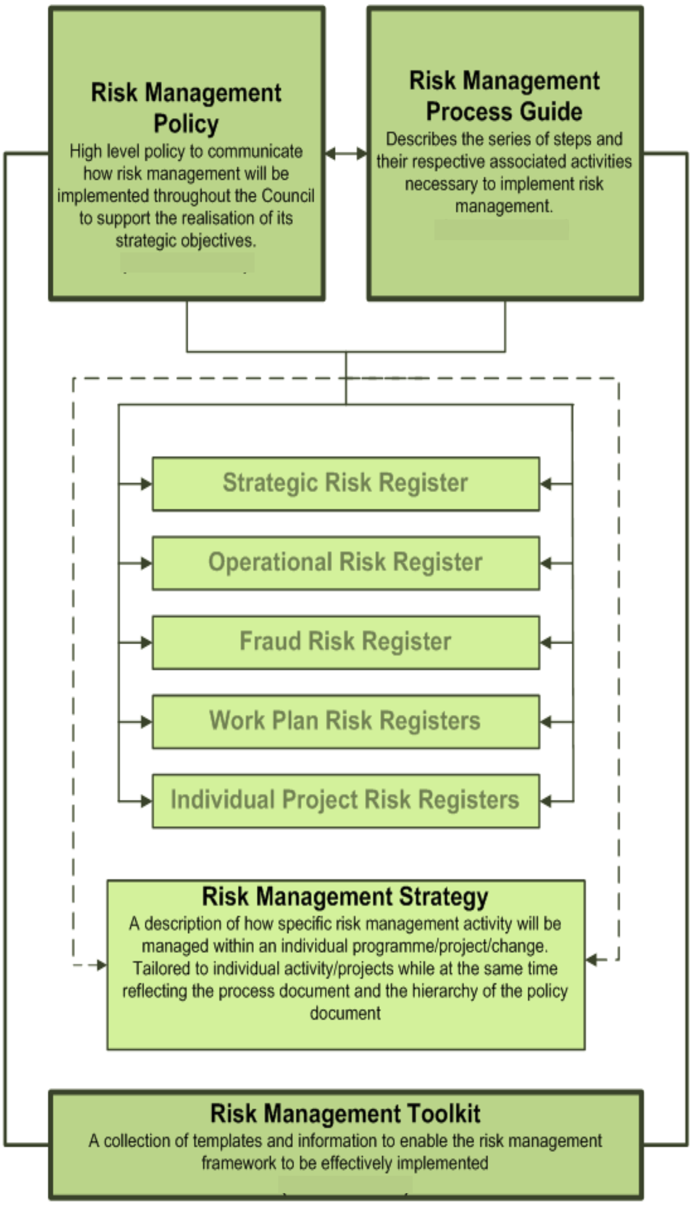
Internal Audit and KPMG aim to coordinate their work to get the best value from the resources in use and to this aim work closely together to achieve our objectives.

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.

Risk Management Framework



Significant risks are identified and reported as part of the quarterly Finance and Performance challenge process. These risks make up the Council's Strategic Risk Register. Senior Managers review the risks and report on the current position and on controls put in place to mitigate the risk.

The Strategic Risk Register is attached at Appendix B.

Key Areas of Improvement from 2014-15 that have been completed

There are a numbers of areas requiring improvement identified in 2014-15 that have been effectively managed to the extent that they are no longer significant in 2015-16. These are:

Information Commissioners Office (ICO) Inspection & Recommendations – All actions and recommendations are complete. Ensuring compliance is an on-going continuous task and is monitored by the Data Protection Officer.

Procure to Pay - The current performance on the payment of invoices at the end of February 2016 was 97% and the target of 95% is still expected to be achieved by the end of the financial year and on line processes embedded across the council. The majority of invoices are now being received centrally. Teams have continued to be revisited to ensure compliance with the P2P (procure to pay) process and business processes continue to be reviewed where non-compliance occurs.

Corporate Procurement and Contract Management – A review of procurement and commissioning was completed in November 2015 and drew positive conclusions about corporate procurement arrangements. Changes to the Council's Contract Procedure Rules (CPR's) were approved by full Council in January 2016. The changes to Contract Procedure Rules are compliant with EU legislation, have been rolled out to staff and will enable the Council to achieve better value for money for the citizens of Doncaster, through simplifying the procurement process and increasing competition within the supply chain. The levels of Council spend to organisations which are locally based in Doncaster, have increased from 49% (end March 2014) to 64% (end January 2016).

Doncaster Markets – Work is ongoing work with DN17 project team in respect of market improvements. This included the introduction of the cashless system, Data cleansing exercise has been completed and a new trader database has been set up. The Markets Management System procurement process is underway and we continue to work closely with Health and safety in respect of the comprehensive repairs and maintenance programme.

Risk Assessments - Measures have now been put in place to ensure the land transfers between the council and contractors are clear, explicit and timely and procedures are in place. Work is ongoing with both Audit and Health and safety to identify and mitigate risks.

Business Continuity - Business continuity plans and arrangements are in place for each Directorate and support in developing plans and arrangements have also been provided to the Childrens Trust. Plans will continue to be reviewed and maintained in accordance with the Business Continuity Policy.

Significant Governance Issues Identified in 2015-16

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 2015-16 Annual Governance Statement process:

Safeguarding Adults Personal Assets Team (SAPAT) - There are a number of governance risks associated with the Safeguarding Adults Personal Assets service that are currently being addressed. These include lack of robust policies and procedures, lack of appropriate recording systems and poor data quality, multiple paper based systems, inadequate storage and retrieval of documents and property and a lack of clear performance and monitoring data.
These are now all being addressed with support from corporate services.

Learning Disability/Supported Living Reviews – an improvement area was identified relating to annual reviews within the learning disability team. There is a risk that some of these reviews may be individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for CHC funding. As the robust review project works through the cases we will have a better understanding of the accommodation and support needs of each individual.

The progress that has been made in dealing with governance issues, that were identified in 2014-15 and are still an issue in 2015-16, can be found in Appendix A.

Statement of Commitment

We have been advised of the implications of the result of the 2015-16 review of the effectiveness of the governance and internal control framework 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 on TBA:

____________________________ ____________________________

Ros Jones
Mayor of Doncaster

Jo Miller
Chief Executive

APPENDIX A

An update on Key Improvement Areas identified during 2014-15 that remain an issue in 2015-16

- **External Funding**

An issue has arisen relating to European funding of the White Rose Way development scheme. Following an audit a claim has been made to potentially claw back funding over procurement procedures. Doncaster Council has completed a report which outlines the justification for the European Commission Audit (ECA) to rescind its correction order. The report is currently with Department for Communities and Local Government (DCLG). We were expecting a response in December 2015, but to date, no response has been received ***The Lead Officer for this is the Director of Regeneration & Environment; the completion date is to be confirmed on receipt of report***

- **Doncaster Children's Trust**

Doncaster Children's Trusts Annual Contract Review report was submitted to the DFE on 31/01/16 and included a number of recommendations in relation to the effective contract management of the DCST. All recommendation are considered formally on a monthly basis at senior level with a formal Quarterly Contract Performance meeting for sign-off at chief executive level. This report is also shared at Overview and Scrutiny on a quarterly basis. The process is mutually respectful and is sophisticated in its approach to ensure that consideration is given to the whole system and not just particular performance indicators. In regard to the overall contract, the annual sum is agreed between the Council and the Trust at the Annual Review. As part of the agreement/contract, the Trust is expected to deliver specified improvement cost savings. The Council, as commissioner of children's social care services, plays a critical role in ensuring value for money.

A risk sharing agreement is detailed within the Service Delivery Contract which outlines risks and rewards over the period dating from September 2014 to March 2018. The Risk Sharing Agreement forms part of the overall contract with DCST and is available on request.

The Secretary of State issued a Statutory Direction on 17th June 2016 stipulating that the Children with Disabilities (CWD) service be transferred from the Council to Doncaster Children's Services Trust (DCST). The CWD social work team based at the Civic office transferred on 19th June, whilst the Oakland's Short break Unit is scheduled for transfer in September 2016. ***The Director of Learning & Opportunities has indicated this is an on-going action.***

- **Fraud Code of Practice Assessment**

Deliver the improvement actions identified as part of our assessment against the new Code of Practice on Managing the Risk of Fraud and Corruption. A full assessment against the Code of Practice for Managing the Risk of Fraud and Corruption has been undertaken and Fraud Code of Practice Assessment Workshops has been held with managers. Fraud risk registers are being collated and will be reported to Audit Committee.
The Lead Officer for this is the Director of Finance & Corporate Services; the completion date is August 2016

- **Direct Payments**

Work continues to improve the recovery of direct payments and personalised budgets. There are a number of actions and processes that still need to be put in place or be embedded. However outstanding actions have been progressed with the majority now identified as fully completed, with others partly implemented and having a revised target date of June 2016. Substantial work and resources have been put into managing this area from within Adults, Health and Wellbeing and Finance and Corporate Services.

In February 2016, a further review of Direct Payments was undertaken by colleagues in Internal Audit with the outcome being a "limited assurance" that systems and processes are operating efficiently and effectively. A detailed improvement plan has been prepared with timelines during 2016/17, for delivery that will work to provide a greater degree of assurance that systems and processes are effective and robust.
Work is ongoing on the remaining actions and the Director of Adults, Health & Wellbeing has agreed a completion date of November 2016.

- **Data Quality Arrangements**

Internal Audit and the Corporate Performance Team highlighted an opportunity to improve the reliability of information to support performance management. The Activity from the Data Quality Strategy 2013-2015 including self-assessments on central government returns has been completed. A project plan to refresh the Data Quality Strategy has been developed with the target date for completion of September 2016. This activity which commenced in April 2016, will draw upon the completed self-assessments, incorporate latest research and draw upon good examples across the sector. Key parts of the Council including internal audit, ICT and Strategy & Performance teams will co-produce this strategy.
Also within each service plan a mandatory action on Data Quality has been included for 2016-17 planning cycles which will help to embed data quality across the organisation. ***The Director of Finance & Corporate Services has agreed a completion date of November 2016.***

- **Income Management**

Internal Audit identified an improvement opportunity regarding compliance with the Council's procedures and associated best practice for monitoring and collecting debt. An Income Management project plan has been produced is now working through opportunities to maximise income opportunities, ensuring income due to the Council is identified, charged for and collected in a cost efficient and timely manner. ***The Director of Finance & Corporate Services has agreed this will be established by September 2016.***

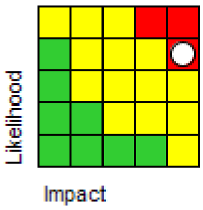
- **Asset Register**

The Council is reviewing its arrangements for maintaining its asset register to enhance arrangements and better facilitate accounting for assets. Although Phase 2 of the Enterprise Resource Planning (ERP) programme has been deferred (with new deadlines to be agreed), work is progressing with design workshops due to take place over the summer, following which a plan for the fixed assets module will be clearer.
The fixed asset register (held on an excel spreadsheet) produces the statement of account information. External audit have been pleased with the improvements which have led to a more efficient capital audit, through improved audit trails and working papers. ***The Director of Finance & Corporate Services will provide an update on the Phase 2 project plan which will be implemented in March 2017.***

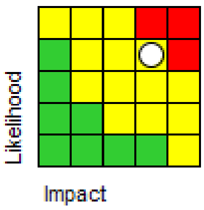
APPENDIX B

The Strategic Risk Register as at 31st March 2016, reported in order of risk score, highest to lowest

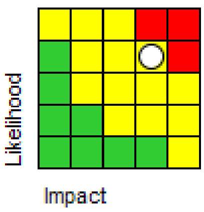
Current austerity measures result in increased poverty in Doncaster, causing deprivation for citizens and restricting the borough's ability to improve and grow

Current Risk	
20 	**CURRENT POSITION:** Score = 20 (impact 5 likelihood 4). The impacts of poverty and welfare reform continue to affect local people and are a risk to the achievement of Council and partnership objectives. **MITIGATING ACTIONS:** The partnership Anti-Poverty Strategy Group is delivering & co-ordinating actions to address the causes and effects of poverty within the borough. An Anti-Poverty Summit in June will highlight the achievements and progress that is being made. Attendees will be asked to share information, good practice and learning points with colleagues from across all sectors. They will also be asked to help identify or acknowledge new or worsening issues within Doncaster's communities, identify gaps in provision and propose solutions. **TARGET RISK SCORE:** 12 (impact 3 likelihood 4). Poverty continues to be an issue in Doncaster, as evidenced by the recent Indices of Multiple Deprivation. The main task is to reduce the impact on local people.

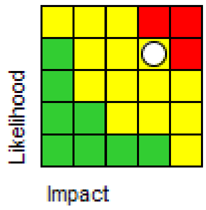
Children and Young People do not achieve in line with national expectation

Current Risk	
16 	**CURRENT POSITION:** Provisional Key Stage 2 Level 4 results for reading, writing and Maths combined have shown a disappointing drop in performance for 2015 putting Doncaster in the bottom quartile nationally. 2015 GCSE 5 A*-C inc English and Maths indicate a decline in line with the National trend but remain below the national average. Under the new Ofsted framework and inspection arrangements very few Doncaster schools have been subject to inspection, but those that have are improving their grades and the vast majority of interim Ofsted monitoring visits report positive progress The Key Stage 2 rapid improvement strategy has been approved by the Minister for schools and has engaged the vast majority of schools in Doncaster. All interim targets so far have been reached. An indicative projection for outcomes based on standardised tests in year 6 is encouraging and a range of very focused initiatives are in place to raise standards according to the new framework of tests. A Key stage 4 strategy is planned with the Academies and a variety of challenging curriculum groups are in place led by the LA and supported by the Teaching School Alliance **MITIGATING ACTIONS:** Continue to deliver School Improvement 3 year Post Ofsted action plan which is currently midway through its implementation – with an improving picture regarding the quality of 'Leadership & Performance' which will have an effect on the overall Ofsted outcomes. . Challenge Schools Commissioner and Sponsors of Academies on underperformance. . Ensure School Improvement Strategy is delivered, taking into account new Ofsted Measures. . Improve pupil attendance via enhanced early help . deliver the aspects of the education and skills strategy to include: Key Stage 2 and 4 rapid improvement initiatives Academy exploration and growth strategy for schools at risk of decline and those wishing to join Multi-Academy Trusts Revision support in the community for students and parents Leadership succession and recruitment support initiatives in partnership with the Teaching School Alliance **TARGET RISK SCORE:** Impact – 4, Likelihood 3 = 12

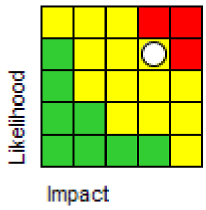
Lack of capacity from house builders to build affordable properties

Current Risk	
16 	**CURRENT POSITION:** The proposed changes to planning definitions and introduction of the new Starter Home product are still not finalised so the impact cannot yet be fully assessed. **MITIGATING ACTION:** The Council have a continuous process of investigating alternative solutions through the Delivery Model and other funding solutions. **TARGET RISK SCORE:** Impact – 3, Likelihood – Unlikely 2 = 6

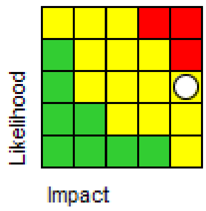
Failure to achieve the budget target for 2015/16 and 16/17

<table>
<tr><th>Current Risk</th><td rowspan="2">CURRENT POSITION: For 2015/16 the council has a challenging programme of savings to deliver, which is being robustly managed by programme leads and reviewed by AD's & Directors on a quarterly basis. The overall overspend forecast is £xm (to be updated following outturn 29/05/16); this includes a number of pressures which have been taken into account in the 2016/17 budget process and funding allocated accordingly.
MITIGATING ACTIONS: Developing other savings or utilising one off funds for any delays in the savings for 2015/16.
TARGET RISK SCORE: Impact 3 x likelihood 3 = 9</td></tr>
<tr><td>16

</td></tr>
</table>

Failure to improve Data Quality will prevent us from ensuring that data relating to key Council and Borough priorities is robust and valid.

<table>
<tr><th>Current Risk</th><td rowspan="2">CURRENT POSITION: Poor quality data may seriously hamper the ability for the Council' to transform and poor data and information will also reduce the effectiveness of the decisions that the Council makes. There are specific examples that demonstrate this including adult social care client management system that at the moment does not provide the quality of data that is required to support and add value that is needed. There is also the ability of the council to maximise the opportunities of linking up data automatically and supporting the digital council agenda which can be seriously hampered if the quality of the data in our systems is not up to standard.
MITIGATING ACTIONS: To improve the quality of data across the organisation it will take time as we establish new processes and identify issues and links across the plethora of systems and data we currently hold. A new Data Quality Strategy will be developed and agreed by September 2016 which will set out the vision for data quality over the next few years and provide specific actions that will improve the quality of data across the council. Engagement across all Council departments will be required to ensure improvements are made quickly and appropriately. A register for all returns to central government will be updated and monitored to ensure the data supplied nationally is of good quality and ownership is clear. A business intelligence model which will support 'open data' across Doncaster is being discussed and will, once established help to support good and where appropriate automated information flows between systems improving the quality of data available in Doncaster. This risk links to all existing council plans, since the data we use informs all actions and decisions.
TARGET RISK SCORE: Impact 4 (major) Likelihood 2 (unlikely) = 8</td></tr>
<tr><td>16

</td></tr>
</table>

A failure to identify, or to act on, areas of serious performance weakness in the Doncaster Children's Service Trust or in the Council, which could result in significant harm to a child or children which could have been avoided, or which could lead to an 'inadequate' judgement at Ofsted Inspection, which will negatively impact on the reputation of the local authority.

<table>
<tr><th>Current Risk</th><td rowspan="2">CURRENT POSITION: The formal arrangements to monitor and review the effectiveness and input of services to children provided by the Trust and the council are believed to provide assurance against this risk. Trust and Council performance has shown an overall improvement against the key indicators since the establishment of the contract. Ofsted commented that formal systems for the Council to monitor and challenge performance by the Trust exceed the requirements set out in the contract between the organisations.
MITIGATING ACTIONS: The Council has formally agreed the results of the Annual Contract Review which includes a revised suite of performance indicators, which have been subject to extensive joint development between the Council and the Trust.
The new indicators are believed to provide more effective assurance against this risk, alongside additional Quality Assurance reporting, and this new approach has been agreed; which taken together will contribute towards the establishment of a continuous improvement framework. The formal variations to the contract await the Secretary of State's directions.
TARGET RISK SCORE: Impact 5 X Likelihood 3= 15</td></tr>
<tr><td>15

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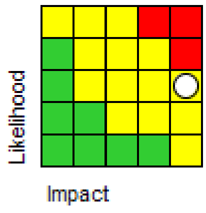
Health and social care services do not change fast enough , impacting on quality, accessibility and affordability of services for people who need them most

Current Risk

15



CURRENT SITUATION: The work required to Transform Adult Social care services has not happened quickly enough in the past. Improved service outcomes, financial savings and ambition levels have not been where they need to be to ensure that services are effective and efficient now and into the future. Much progress has been made in the past 6 months and outcomes from the business improvement element of the transformation programme are starting to be delivered. Work on business cases for the 5 transformation themes will start in April 2016.. Due to the recent positive action the likelihood score has been reduced from 4 (likely) to 3 (possible).

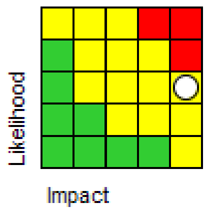
MITIGATING ACTIONS: The new Adults Health and Wellbeing Transformation Programme have been approved by Cabinet and is now being delivered. The cross council Improvement Board chaired by the Chief Executive is continuing to oversee key work and govern the transformation process, meeting on a three weekly basis. 10 Immediate Business Improvement projects are now in progress with support and governance arrangements firmly in place to ensure outputs and outcomes are being delivered. Earnest and Young have been appointed to drive the transformation and will rapidly develop business cases for the 5 key transformation themes from April 2016. The National Development Team for Inclusion has been commissioned to help to develop a community focused and person centred model of social care.

TARGET SCORE: Impact 5 (out of 5) and Likelihood 3 (out of 5) = 15

Failure to obtain assurance as to the safeguarding of children in the borough

Current Risk

15



CURRENT POSITION: The formal arrangements to monitor and review the effectiveness and input of services to children provided by the Trust are believed to provide assurance to this risk. Overall the safeguarding indicators specific to children are now performing better than they were this time last year. Ofsted did not raise any concerns as to the safety of children in the borough, but did recommend improvements to social work practice which are being addressed through the Ofsted Improvement Plan.

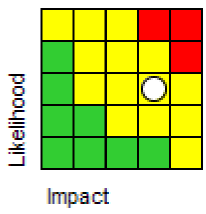
MITIGATING ACTIONS: The draft Ofsted improvement plan was submitted to Ofsted on 9th February 2016. Ofsted responded positively stating that the draft Improvement Plan addressed the identified areas for development from the inspection and that it was clear that progress had been made across a range of aspects and where action is completed, arrangements are in place to ensure this is maintained. The finalised plan was submitted to Ofsted on 26th April 2016 and was along with attendant actions, subject to consultation and feedback at the 'Getting to Good' seminar on 29th April 2016.

TARGET RISK SCORE: Impact 5 X Likelihood 3 = 15

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

Current Risk

12



CURRENT POSITION: The Year Two action plan is reviewed and monitored by the Equalities Steering Group and Portfolio Holder Deputy Mayor Glyn Jones. The final year action plan is being developed and is focusing more on the outcomes for the borough

MITIGATING ACTIONS: We have strengthened the governance arrangements and reviewed membership of the Steering Group to ensure the most appropriate colleagues are on board and that Directorates are adequately represented.

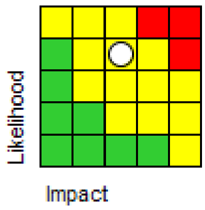
- Q4 sees the roundup of the updates for the Year 2 Action Plan that was mainly focused on process activity, awareness and embedding. The Action Plan for Year 3 will be more outcomes based and will capture activities being delivered and developed throughout the council and with our partners.
- Additional assistance will be provided by the Strategy and Performance Unit to support the delivery of the actions;

TARGET RISK SCORE: impact 4 x likelihood 2 = 8

DN17 Programme does not deliver the level of savings required and this impacts on the services the council can offer to the public

Current Risk

12



Current Position: The Doncaster 2017 Programme outturn position for 2015/16 is £4.21m slippage. This is mostly attributable to Appropriate Assets (£1.23m), Modern & Productive Workforce (£2.17m) and Digital Council (£0.71m).

In order to achieve the savings targets of some projects, it has been necessary to extend them beyond the original deadline of 2016/17. Appropriate Assets £2m re-profiled into 2017/18 and an overall gap of £0.45m. Modern and Productive Workforce £1m now profiled beyond 2016/17. Early Help £1.4m savings profiled beyond 2016/17 which rely on service transformation and other efficiencies. Fleet Management & Pool Cars £0.12m re-profiled into 2017/18.

Mitigating Actions: Work continues to embed the Digital strategy into the culture of the Council as it is recognised as a key enabler for the transformation of the council.

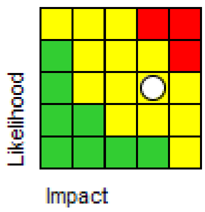
The Implementation Boards, which form part of the Doncaster 2017 governance, have been reviewed to ensure that they are fit-for-purpose as the programme moves forward. In recognition of the continuing work of both the Adults Improvement Programme and the Children's Trust – now outside the DN17 programme – separate highlight reports will go to the Directors' meeting as part of the quarterly challenge and to ensure appropriate assurance.

TARGET RISK SCORE: Impact 3 Likelihood 2 = 6

Failure to comply with the Data Protection Act 1998

Current Risk

12



CURRENT POSITION: For the second quarter running, there have been no data protection breaches reported.

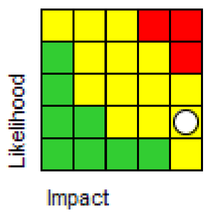
MITIGATING ACTION: Such as training, awareness, targeting where related incidents occur. Due to the nature of this requirement, the target risk will always remain major and possible with mitigating actions required continuously.

TARGET RISK SCORE: Impact 4 X Likelihood 2 =8

The agreed standards and policies are not adequately understood and implemented by practitioners who work with vulnerable adults increasing the risk of vulnerable people experiencing harm or abuse

Current Risk

10



CURRENT POSITION: Peer review action plan has been developed and endorsed by the Doncaster Safeguarding Adults Board and significant progress has been made implementing this, including the creation of a multi-agency safeguarding hub to manage all safeguarding cases and clarify safeguarding pathways. The safeguarding board will receive regular reports on the implementation of the peer review actions plan.

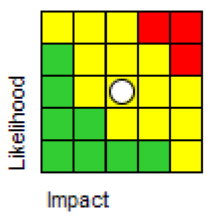
MITIGATING ACTIONS: A multi-agency guidance document is currently being developed with partners which will provide clear guidance on when the criteria for a safeguarding concern has been reached. This will enable independent providers to make decisions on actions with areas of concern. The Council is currently working to develop local safeguarding policies aligned to South Yorkshire procedures, which will be accompanied by a mandatory training programme for key staff.

TARGET RISK SCORE: Impact 5 x Likelihood 2 = 10

Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation

Current Risk

9

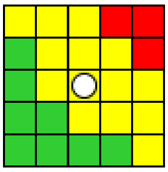


CURRENT POSITION: Initial discussions have taken place with the actuary for South Yorkshire pensions and it is hoped that increase in pension cost can be maintained within the current estimates included within the Medium term financial plan.

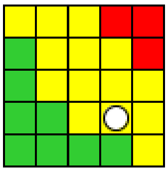
MITIGATING ACTIONS: The Council will be reviewing and challenging the assumptions made by the Actuary with SYPA and other LA's in South Yorkshire. The Actuary will be attending a meeting of the South Yorkshire Finance Directors to explain the position. The Council will be working with other LA's at a local and at a national level through the LGA to minimise any additional costs arising from the 2016 Valuation. Final results will be known early September 2016.

TARGET RISK SCORE: Impact 2, Likelihood 2 = 4

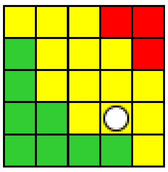
Poorly developed early help services could result in children and young people failing to maximise their opportunities and the council failing to improve or ameliorate health, education and life inequalities across the Borough

Current Risk	
9  	**CURRENT POSITION:** The Early Help Hub has now been in operation for 6 months and is nearly fully staffed with a multi-agency compliment. **MITIGATING ACTIONS::** The Early Help hub moved into management by Doncaster Children's Service Trust . Strategic risk remains the same as transfer is affected and new reporting and quality assurance systems are put into place. This will be fed back to the partnership via the Early Help Implementation Task Group and will challenge colleagues in terms of contribution and quality of input. The Early Help Implementation Plan will set out specific plans to increase engagement and quality of Early Help Assessments. EHITG oversees partnership engagement and subgroups are actively progressing specific work streams improving performance reporting and engagement of partnerships so as to ensure implementation and pace. **TARGET RISK SCORE:** Impact 2 Likelihood 3 = 6

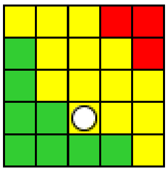
Failure to identify and manage Health and Safety risks

Current Risk	
8  	**CURRENT POSITION:** This risk has been reviewed and remains unchanged. Health and Safety Training for Managers continues to be mandatory across all Directorates. The new Health and Safety Advisor post for Construction Services continues to work well. Risks have been identified at Hatfield Colliery and work is ongoing to mitigate risks to public safety. This includes proposals to demolish and secure buildings. Intensive work, with the assistance of competent advisors and mining engineers has taken place during quarter 3. Separate reports on this work are being provided to the Chief Executive and Leadership Team to update on progress. **MITIGATING ACTIONS:** A further Health and Safety Training post is being developed as part of a review and restructure of the Regulation and Enforcement Service within Environment. A substantial amount of work has also been undertaken to identify and mitigate the health and safety risks within the Council's Markets with appropriate action plans now in place. Work has been undertaken within the Assets Team regarding health & safety risks on Council land. A programme of unannounced 'drop in' audits across a range of service areas has also commenced and will continue throughout 2016. Action plans will be developed with managers where appropriate to drive and monitor improvements against the audit findings. **TARGET RISK SCORE:** Impact 4 X Likelihood 2 = 8

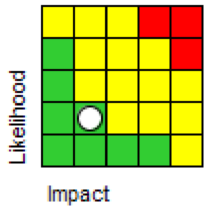
Failure to respond adequately to borough emergencies or mitigate effectively against the effects of extreme weather conditions e.g. flooding

Current Risk	
8  	**CURRENT POSITION:** This risk has been reviewed and is considered to remain appropriate. The Council's plans for preparedness and business continuity continue to be reviewed and maintained. The plans and arrangements have been rehearsed with partners from across South Yorkshire and a recent assessment of DMBC's emergency response capabilities by the Cabinet Office has demonstrated a high level of preparedness and compliance with Government expectations for Civil Contingencies. **MITIGATING ACTIONS:** A series of interactive Doncaster Council Corporate Exercise are being developed for 2016/17 which will involve all a partner agencies and organisations. Work continues to embed flood response awareness at a strategic level. **TARGET RISK SCORE:** Impact 5 X Likelihood 3 = 15

Failure to implement the Council's key borough objectives in partnership

Current Risk	
6  	**CURRENT POSITION:** Following on from the recent health-check of Team Doncaster partners, analysis of responses showed all but two of the 15 questions asked showed increased positivity around partnership working. Slight reductions in mean scores (compared to 2013 responses on a 5-point scale) were found in "How well have we shared information between us" (-0.2) and "How well have we addressed the 'hard' issues" (-0.1). Future sessions are planned for Team Doncaster on the Education Commission's findings and also the Future Council work. The implementation of OBA has progressed significantly with the production of a Partnerships PMF – allowing Team Doncaster a clear snapshot of the partnership's 4 thematic boards' outcomes and indicators. **MITIGATING ACTIONS:** The Strategy and Performance Unit fed back to the Team Doncaster Strategic Partnership at the 6th April 2016 meeting, with the partnership identifying the need to tackle hard issues together. At the same meeting the Partnership's Performance Management Framework was presented to partners. The purpose of the Partnership PMF is to highlight performance from each other 4 theme boards, and allow Team Doncaster to challenge and make recommendations – allowing information to be shared and giving partners a clearer understanding of the 'hard' issues. **TARGET RISK SCORE:** Target Impact 3 (Significant), Target Likelihood 2 (Unlikely). Currently the target risk is identical to the actual risk, it is envisaged this will further reduce with greater embedding of OBA and the Partnership PMF and a longer term strategic plan on partnership priorities.

Low staff motivation/morale and low performance

Current Risk	**CURRENT POSITION:** Morale, motivation and performance levels have remained steady throughout the year, despite on-going challenges particularly due to the transformation / improvement programme within Adults. The overall attendance management target of 8.5 days per FTE was not met, but overall performance has continued to improve with a further reduction of 0.61 days from 9.72 days per fte to 9.11 days per fte. There is still a high proportion of service reviews being undertaken along with on-going organisational transformation that will impact on morale, but this remains manageable given the mitigating actions put in place, resulting in a further decrease in this risk level. **MITIGATING ACTIONS:** Continue to monitor sickness trend and ensure action plans progress. Monitor impact on on-going organisation-wide transformation, particularly within Adults, Health and Well Being. **TARGET RISK SCORE:** Impact 2 Likelihood 2 = 4
4 	

Doncaster
Metropolitan Borough Council

17th August 2016

To the Chair and Members of the
AUDIT COMMITTEE

STATEMENT OF ACCOUNTS 2015/16
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 2015/16 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 2015/16.

4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2015/16.

5. Overall the ISA 260 report is an extremely positive one and it recognises the further improvements that have been made by the Council in preparing the Statement of Accounts for audit.

6. 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.

EXEMPT REPORT

7. Not applicable.

RECOMMENDATIONS

8. It is recommended that the Audit Committee: -

    a. Note the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report;

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

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

    d. Approve the Statement of Accounts 2015/16.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

<u>Preparation of the Accounts</u>

10. The Council's 2015/16 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 2nd June 2016 and published on the Council's website on 14th June 2016. 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.

11. The draft accounts were presented to this Committee for information on 22nd June 2016. KPMG were presented with these draft accounts on 29th June 2016 with working papers being provided on 4th July.

<u>Outcomes of the Audit</u>

12. The audit began on Monday, 4th July 2016 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.

13. 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.

14. KPMG did not identify any material misstatements. KPMG identified some minor issues that have been adjusted (e.g. Salix loan updated in note 12, Brexit comment in the Narrative Report, formatting etc.). 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. It is a testament to the knowledge and expertise of all staff engaged in the final accounts process that there are no material adjustments required this year. 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.

15. There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This PFI came into use during the year that the financial statements are reporting on. Once assets have been recognised (as they come into use), 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 has taken place and therefore there is a risk that the value of the asset may be misstated. The proportion of the asset that relates to Doncaster MBC (40%) is currently valued on the balance sheet at £25.9m. As the materiality level is £15m and through discussions with valuation experts and our knowledge of this type of asset, we are confident that the value of the asset is not currently materially misstated. Rotherham MBC lead on the Waste Management PFI Contract and are currently seeking to provide suitable support for the valuation. The ISA 260 report is written on the worst case basis of the supporting information not being available. If the information becomes available before Audit Committee then the ISA 260 report will be amended.

16. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Thursday 23rd June 2016, 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.

17. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. KPMG concluded that they did not need to carry out any additional work as there was sufficient relevant work that had completed by the Council, inspectorates and review agencies in relation to these risk areas. In particular the Council produced a detailed self-assessment which described the arrangements that have been put in place to secure value for money in the delivery of services. 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.

18. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council's 2015/16 Statement of Accounts. The letter is from the Director of Finance and Corporate Services 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. It also confirms that the Council have made appropriate enquiries and are satisfied that the value of the new Waste Management Contract PFI asset is not materially misstated in the Council's Balance Sheet.

19. 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. The continued improvements in the quality of working papers and supporting information have resulted in this year's audit progressing extremely smoothly, in a more timely fashion than in previous years and it is expected that the timescale for the production of the 2016/17 draft accounts will be brought forward in advance of this year's dates. Alongside this, it is expected that the date for the approval of the audited accounts will also be brought forward although this is subject to external audit resources being available.

OPTIONS CONSIDERED

20. Not applicable.

REASONS FOR RECOMMENDED OPTION

21. 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

22. These are detailed in the table below: -

	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*	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 Value for Money ('VfM') conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.
	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.	
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

23. 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 undertaken as part of the monthly audit liaison group meetings.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

25. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards (IFRS).

26. 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 2015/16 audit.

HUMAN RESOURCES IMPLICATIONS

27. There is one finding resulting from the audit which relates to packs for new starters to the organisation. All documentation that forms the new starter pack is already saved to the employee's personal file upon receipt in Doncaster from the HR Service Centre at Rotherham. Procedures relating to new starter packs are under review and consideration is being given to the recommendation to undertake period audits to ensure compliance.

TECHNOLOGY IMPLICATIONS

28. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

29. This report has no specific equality implications.

CONSULTATION

30. This report has no significant consultation implications.

BACKGROUND PAPERS

31. Draft Statement of Accounts 2015/16
The Code of Practice on Local Authority Accounting 2015/16 (‘The Code’) - based on IFRS
Accounts and Audit (England) Regulations 2015

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Director of Finance and Corporate Services

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Statement of Accounts 2015/16

www.doncaster.gov.uk

Doncaster MBC Statement of Accounts 2015/16

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 2015/16 is presented as simply and clearly as possible and the Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2016 and 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 2015/16 (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.

Corporate Plan 2014-17

The Council's original Corporate Plan for 2014-17 was approved by Full Council in June 2014. It details the priorities that we will deliver for the people of Doncaster and supports the delivery of the Mayor's priorities. The Corporate Plan covers a three year period so that it aligns with our medium term financial strategy. A range of measures will be used to monitor our progress and these will be reported widely.

We have already successfully achieved a number of our Corporate Plan objectives, such as: -

- Coming out of Government intervention a year early;
- Establishing the country's first Children's Trust; and
- Successfully integrating public health into the Council.

So, we have recently carried out a "light touch" refresh to reflect these successes and to detail new challenges. The refreshed Corporate Plan 2014-17 was agreed by Full Council on 30th July 2015. Further details can be found on the Council's website:

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

About Doncaster

Doncaster Metropolitan Borough 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.

Financial Highlights

The Council spent £132.9m on capital schemes, an increase of 13.2% from 2014/15, mainly attributable to work on the Waste Management Private Finance Initiative (PFI) scheme and the Finningley and Rossington Regeneration Route Scheme ('FARRRS').
The Council's net worth increased by £68.0m from £512.0m to £580.0m which is mainly due to a reduction in short term borrowing and short term creditors.
Overall expenditure on Council services was £658.3m, up £18.4m or 2.9% compared to 2014/15. Income was £416.0m, down £11.7m or 2.7% compared to 2014/15. The net cost of running the Council's services therefore increased £30.1m or 14.2% from 2014/15.
The Council's usable reserves decreased by 15.1% to £101.4m, this includes a decrease in the General Fund reserves of £1.6m or 7.6% to £19.1m.

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: 89% of service measures at or close to target**

The overall performance of our service measures is good with 89% (34 out of 38) exceeding or close to local targets. We have the highest levels of house building in 15 years, investment into the borough is exceeding target and we have delivered the mayoral target of 1000 apprenticeships since April 2013. Measures that are further from our local targets are Direct Payments, Drug Treatment, NHS Health Checks and % of services with online transactional services.

Financial Performance

- **Revenue Position: £1.3m overspend**

The Council must respond to on-going, unprecedented reductions in funding. Doncaster Council needs to deliver £109m savings over the period 2014/15 to 2016/17; including £39m in 2015/16. On the normal day to day operating budget the Council overspent by £1.3m, including Adults, Health & Wellbeing overspend of £4.7m (3% on Directorate budget).

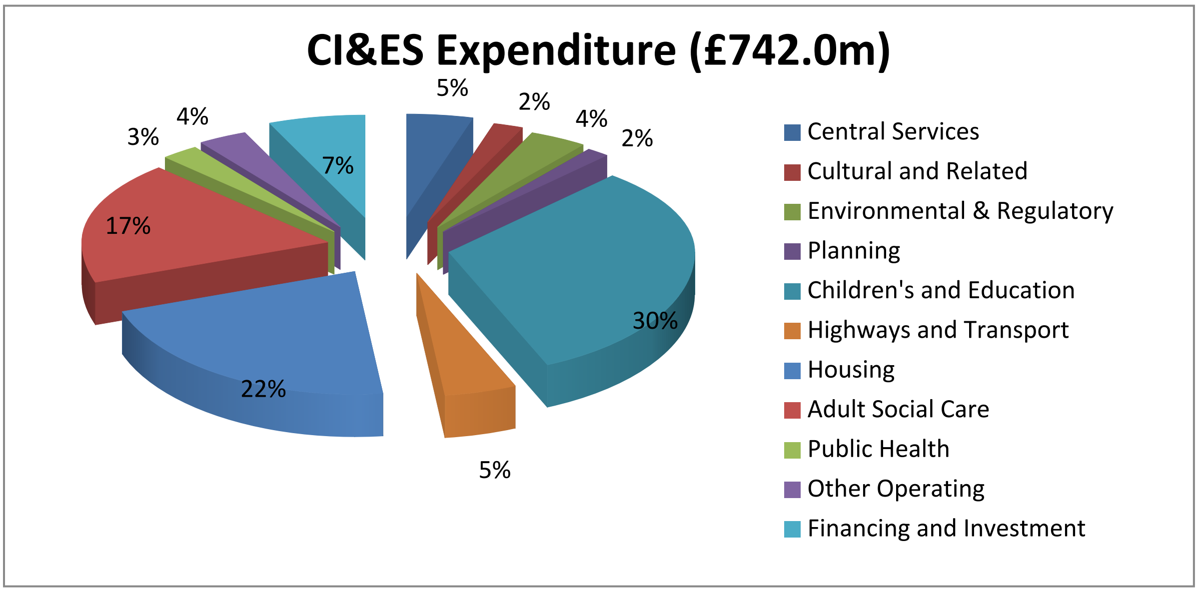
The table below represents General Fund services only. The figures differ from those shown in the statements on pages 11 to 17 as these statements include both General Fund and the HRA.

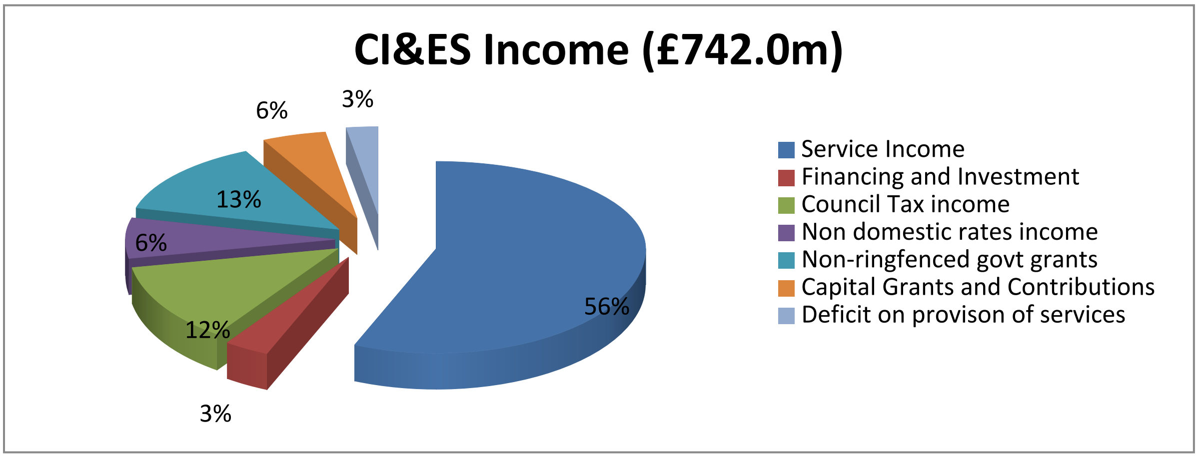
	Gross Budget £m	**Net Budget £m**	**Total Variance £m**
Services			
Adults Health and Wellbeing	145.5	83.3	4.7
Learning & Opportunities - Children & Young People (Includes Children's Services Trust £3k underspend)	85.2	45.8	(0.4)
Finance & Corporate Services	125.9	21.2	(1.9)
Regeneration & Environment	128.2	41.0	(0.1)
Total Services Budgets	**484.8**	**191.3**	**2.3**
Council Wide			
General Financing/Treasury Management	6.1	6.1	(1.1)
Council-wide savings targets	(2.3)	(2.3)	2.4
Other Council-Wide	(1.3)	18.1	(2.1)
Subtotal	**2.5**	**21.9**	**(0.8)**
Levying Bodies	19.6	19.6	0
Business Rates	0	(135.9)	(0.2)
Subtotal	**19.6**	**(116.3)**	**(0.2)**
Total General Fund Services (excluding MRP budget £5.9m)	**506.9**	**96.9**	**1.3**

The overspend is funded from Minimum Revenue Provision (MRP) budgets in 2015/16 due to the changes implemented as detailed in the 2016/17 Revenue Budget and Treasury Management Strategy reports resulting in an overall underspend of £4.6m. For more information, see Charges to Revenue for Non-Current Assets included in Note 1 to the accounts.

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

The Comprehensive Income and Expenditure Statement ('CI&ES') for 2015/16 shows the cost of running the Council's services and how that was funded between April 2015 and March 2016.

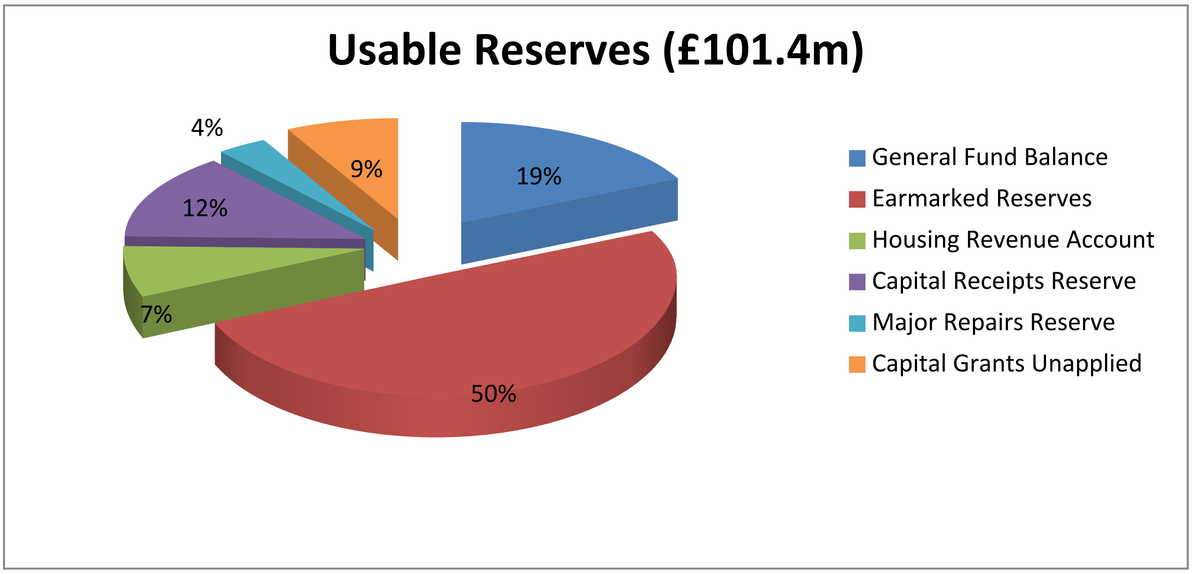




- **Balance Sheet**

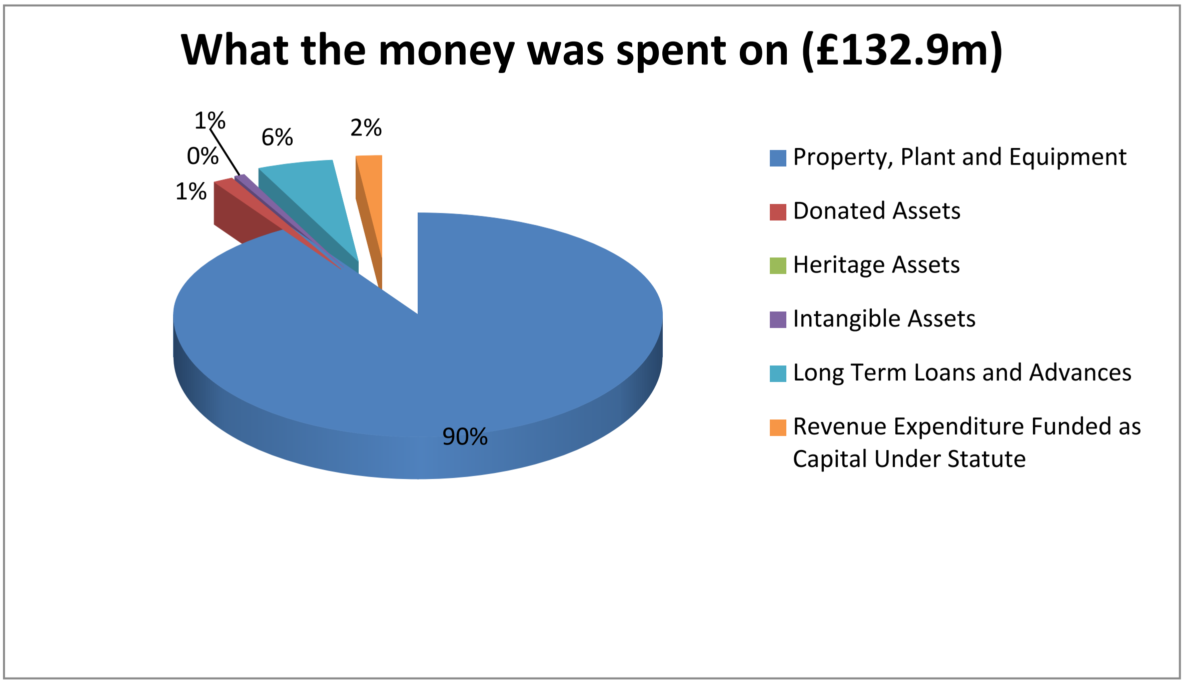
Balance Sheet	**31st March 2016 £m**
Non-Current Assets (e.g. Property, Plant & Equipment)	1,416.5
Current Assets (e.g. short term debtors)	108.2
Cash and cash equivalents (net)	4.1
Current Liabilities (e.g. short term creditors, short term borrowing)	(94.7)
Long Term Liabilities (e.g. long term borrowing, pension deficit)	(854.1)
Net Worth (31st March 2015: £512.0m)	**580.0**
Financed by:	
Usable Reserves (see below)	(101.4)
Unusable Reserves	(478.6)
Net Worth (31st March 2015: £512.0m)	**(580.0)**

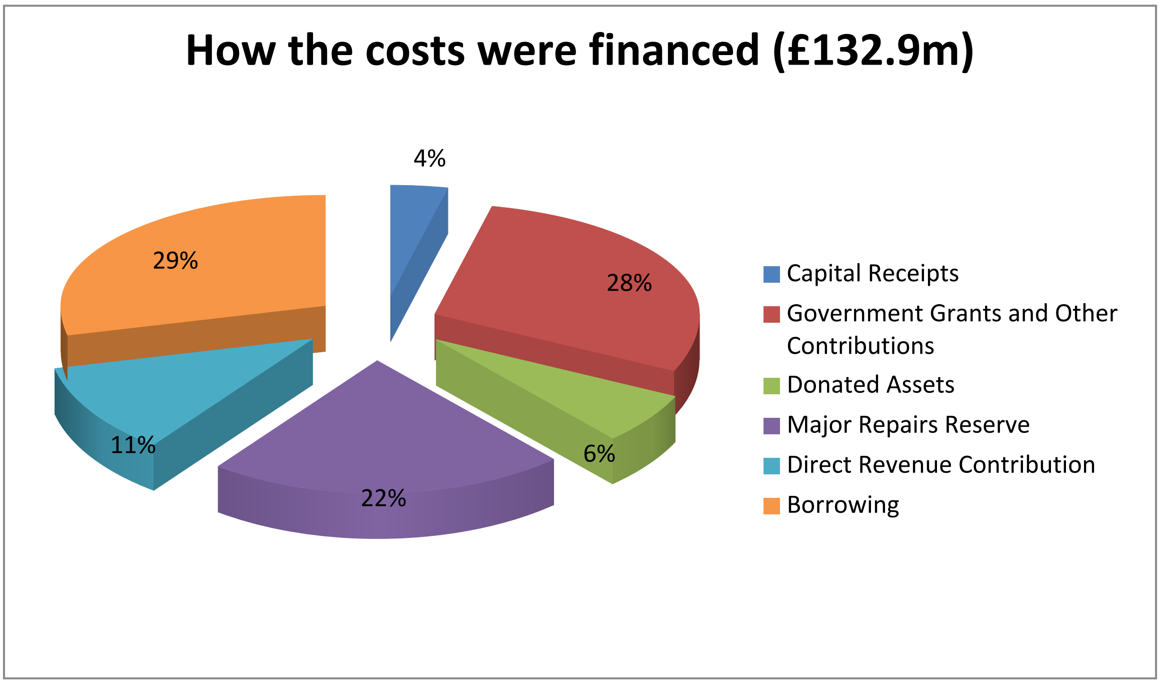
- **Usable Reserves**



- **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.





Financial Outlook

- **General Fund – Revenue**

The Council's financial position continues to be significantly affected by the Government's plans for deficit reduction. This is forecast to last until the end of the decade. Despite these considerable funding reductions the Council is committed to promoting growth and prosperity for its residents. Services will be targeted, deliver value for money and make a difference to those people who need them 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 1st March 2016, the Council set a budget which featured plans to deliver savings of £31m during 2016/17. These savings result a decrease in Government grant funding for the Council of 10.8%. Whilst the financial circumstances are not of the Council's making, it is the Council's responsibility to ensure that there is a robust, transparent and balanced budget in place. The approved budget is based on reduced but sustainable revenues although this is highly dependent on Business Rate income which is currently buoyant for Doncaster but remains volatile.

The Council also approved the revised Medium-Term Financial Plan (MTFP), which detailed further budget gaps of £25.8m for 2017/18, £10.7m for 2018/19, £11.1m for 2019/20 and £15.1m for 2020/21. This takes into account the Government's Settlement figures announced which indicates funding reductions of 10.8% in 2016/17 followed by further decreases of 8.9% in 2017/18, 5.5% in 2018/19 and 5.7% in 2019/20. The Government's grant cuts are estimated at 59% for the period 2011/12 – 2019/20.

As part of the Finance Settlement Government has said it will offer any Council that wishes to take it up a four-year funding settlement to 2019/20. As part of the move to a more self-sufficient local Government, these multi-year settlements can provide the funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners.

Further work on the 2017/18 budget gap is currently taking place to provide an update by autumn.

On the 23rd June 2016, the United Kingdom voted to leave the European Union (EU). The process for leaving the EU is uncertain and likely to take years to complete. The council will continue to monitor events closely during this period.

- **The Capital Programme**

The Council continues to invest in the future of the Borough with an estimated £316m of capital investment over 2016/17 to 2019/20 that will stimulate growth and prosperity despite the continuing tough economic conditions. The Council continues to invest in projects that will improve job creation and skills development, vital housing projects, school buildings improvements, support for the disabled and elderly, highways investment and town centre regeneration schemes.
To help bring this investment and growth, a key new infrastructure would be delivered with major regeneration projects included as part of this including: -

- The new National College for High Speed Rail;
- Phase two of the FARRRS project - to unlock nearly 400,000 square metres of commercial development space at Doncaster Sheffield airport; and
- Numerous Town Centre regeneration projects including further improvements at Doncaster Market, the civic and cultural quarter, and around the railway station.

Risk Management Framework

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.

The Council holds a Risk Management Framework containing key documents. The Council requires an annual review of its Risk Management Policy, to incorporate lessons learned and to continually improve the management of risks. The review was carried out in May 2015, to support the service planning process that began that month.

There are 18 Strategic Risks and all have been updated as part of the quarterly 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.

- **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 2015/16. 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 has been one significant change in accounting policy during 2015/16 for the implementation of IFRS13 Fair Value Measurement. This standard provides a consistent definition of fair value throughout the accounts for assets and liabilities; 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 impact of the change has resulted in revaluations, with additional disclosures in the financial statements and the supporting notes to the accounts.

A review of the method by which the Minimum Revenue Provision (MRP) is calculated was undertaken during 2015/16 and the policy changed to use the Annuity method - see Charges to Revenue for Non-Current Assets included in Note 1 to the accounts.

In 2016/17, the CIPFA Code of Practice will adopt the Transport Infrastructure Assets Code, resulting in a change to the measurement basis for the Council's highways related assets. The new Highways Network Asset will be valued at depreciated replacement cost, replacing the depreciated historic cost value reported now. The new valuation approach is expected to significantly increase the value of the Council's Balance Sheet from 1st April 2016.

S Wiles

Simon Wiles

Director of Finance and Corporate Services

(Section 151 officer)

2nd June 2016

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 Director of Finance and Corporate Services;

- 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

17th August 2016

The Director of Finance and Corporate Services Responsibilities

The Director of Finance and Corporate Services as the Chief Financial Officer 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 Director of Finance and Corporate Services 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 2016.

Simon Wiles
Director of Finance and Corporate Services

17th August 2016

The Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.

2014/15				2015/16		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
9,601	(5,597)	4,004	Central services to the public	7,763	(3,792)	3,971
19,352	(3,210)	16,142	Cultural & related services	16,546	(2,567)	13,979
31,419	(4,510)	26,909	Environmental & Regulatory	30,462	(6,606)	23,856
10,092	(5,191)	4,901	Planning services	11,364	(5,268)	6,096
222,725	(162,746)	59,979	Children's & education services	225,554	(154,956)	70,598
36,180	(2,548)	33,632	Highways & transport services	35,082	(2,234)	32,848
50,246	(74,647)	(24,401)	Local authority housing (HRA)	56,473	(76,680)	(20,207)
102,366	(96,704)	5,662	Other housing services	103,324	(96,063)	7,261
116,988	(40,065)	76,923	Adult social care	124,643	(39,641)	85,002
16,593	(17,046)	(453)	Public Health	18,818	(17,338)	1,480
			Exceptional items			
1,011	0	1,011	- Redundancies	1,840	0	1,840
13,562	(9,278)	4,284	Corporate & democratic core	19,246	(9,969)	9,277
			Non distributed costs			
4,988	0	4,988	- St Leger Homes pre transfer net pension Liability	(2,287)	0	(2,287)
0	0	0	- DCST pre transfer net pension Liability	3,163	0	3,163
3,221	(6,191)	(2,970)	- Past Service	4,813	(3,060)	1,753
1,576	(3)	1,573	- Surplus Properties	3,772	(23)	3,749
639,920	**(427,736)**	**212,184**	**Net Cost of Services**	**660,576**	**(418,197)**	**242,379**
2,114	0	2,114	Parish Council Precepts	2,169	0	2,169
1,931	0	1,931	Payments to the Government Housing Capital Receipts Pool	2,231	0	2,231
57,205	0	57,205	(Gains) / Losses on the disposal of non-current assets	21,690	0	21,690
61,250	**0**	**61,250**	**Other operating expenditure**	**26,090**	**0**	**26,090**
18,596	0	18,596	Interest payable & similar charges	20,870	0	20,870
11,886	0	11,886	Pensions interest cost & expected return on pensions Assets	12,213	0	12,213
0	(709)	(709)	Interest receivable & similar income	0	(1,674)	(1,674)
8	(66)	(58)	Income & expenditure in relation to investment properties & changes in their fair value	5	(604)	(599)
20,215	(23,073)	(2,858)	(Surplus) / Deficit on Trading Undertakings not in Net Cost of Services (Note 25)	22,237	(23,311)	(1,074)
50,705	**(23,848)**	**26,857**	**Financing and investment income and expenditure**	**55,325**	**(25,589)**	**29,736**
0	(87,547)	(87,547)	Council tax income	0	(91,038)	(91,038)
0	(42,499)	(42,499)	Non domestic rates redistribution	0	(46,372)	(46,372)

2014/15				2015/16		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
0	(118,972)	(118,972)	Non-ring fenced Government grants (Note 31)	0	(97,218)	(97,218)
0	(42,417)	(42,417)	Capital grants and contributions (Note 31)	0	(42,047)	(42,047)
0	**(291,435)**	**(291,435)**	**Taxation and non-specific grant income**	**0**	**(276,675)**	**(276,675)**
751,875	**(743,019)**	**8,856**	**(Surplus) / Deficit on Provision of Services**	**741,991**	**(720,461)**	**21,530**
		(32,903)	(Surplus) / Deficit on revaluation of non-current assets (Note 20a)			(38,102)
		108,130	Actuarial (gains) / losses on pension assets / liabilities (Note 20d)			(51,409)
		75,227	**Other Comprehensive Income and Expenditure**			**(89,511)**
		84,083	**Total Comprehensive Income and Expenditure**			**(67,981)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves, i.e. those that can be applied to fund expenditure or reduce local taxation and unusable reserves.

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.

	General Fund Balance £'000	Earmarked General Fund Reserves (Note 7) £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 20) £'000	Total Council Reserves £'000
Balance at 31st March 2014 brought forward	**(17,463)**	**(47,803)**	**(5,929)**	**(7,742)**	**(21,187)**	**(16,227)**	**(116,351)**	**(479,702)**	**(596,053)**
Movement in reserves during 2014/15									
(Surplus) or deficit on the provision of services	2,858	0	5,998	0	0	0	8,856	0	8,856
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	75,227	75,227
Total Comprehensive Income and Expenditure	**2,858**	**0**	**5,998**	**0**	**0**	**0**	**8,856**	**75,227**	**84,083**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(17,151)	0	(6,196)	(2,281)	10,059	3,635	(11,934)	11,934	0
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**(14,293)**	**0**	**(198)**	**(2,281)**	**10,059**	**3,635**	**(3,078)**	**87,161**	**84,083**
Transfers to/from Earmarked Reserves (Note 7)	11,069	(11,174)	0	0	0	105	0	0	0
(Increase) / Decrease in 2014/15	**(3,224)**	**(11,174)**	**(198)**	**(2,281)**	**10,059**	**3,740**	**(3,078)**	**87,161**	**84,083**
Balance at 31st March 2015 carried forward	**(20,687)**	**(58,977)**	**(6,127)**	**(10,023)**	**(11,128)**	**(12,487)**	**(119,429)**	**(392,541)**	**(511,970)**

	General Fund Balance £'000	Earmarked General Fund Reserves (Note 7) £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 2) £'000	Total Council Reserves £'000
Balance at 31st March 2015 brought forward	**(20,687)**	**(58,977)**	**(6,127)**	**(10,023)**	**(11,128)**	**(12,487)**	**(119,429)**	**(392,541)**	**(511,970)**
Movement in reserves during 2015/16									
(Surplus) or deficit on the provision of services	17,684	0	3,846	0	0	0	21,530	0	21,530
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(89,511)	(89,511)
Total Comprehensive Income and Expenditure	**17,684**	**0**	**3,846**	**0**	**0**	**0**	**21,530**	**(89,511)**	**(67,981)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(7,433)	0	(4,579)	(2,479)	7,567	3,438	(3,486)	3,486	0
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**10,251**	**0**	**(733)**	**(2,479)**	7,567	**3,438**	**18,044**	**(86,025)**	**(67,981)**
Transfers to/from Earmarked Reserves (Note 7)	(8,677)	8,545	0	0	0	132	0	0	0
(Increase) / Decrease in 2015/16	**1,574**	**8,545**	**(733)**	**(2,479)**	**7,567**	**3,570**	**18,044**	**(86,025)**	**(67,981)**
Balance at 31st March 2016 carried forward	**(19,113)**	**(50,432)**	**(6,860)**	**(12,502)**	**(3,561)**	**(8,917)**	**(101,385)**	**(478,566)**	**(579,951)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves 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'.

31st March 2015			Notes	**31st March 2016**	
£'000	**£'000**			**£'000**	**£'000**
1,309,715		Property, Plant & Equipment	8	1,382,776	
10,582		Heritage Assets	9	10,258	
17,306		Investment Property	10	9,031	
3,252		Intangible Assets	11	3,831	
2,796		Long Term Investments	12	2,800	
7,873		Long Term Debtors	12	7,744	
	1,351,524	**Long Term Assets**			**1,416,440**
624		Current Intangible Assets		807	
40,073		Short Term Investments	12	25,029	
0		Assets Held for Sale	16	6,000	
750		Inventories	13	2,644	
88,823		Short Term Debtors	14	73,682	
24,320		Cash & Cash Equivalents	15	16,925	
	154,590	**Current Assets**			**125,087**
(20,546)		Cash & Cash Equivalents	15	(12,781)	
(58,587)		Short Term Borrowing	12	(38,284)	
(57,976)		Short Term Creditors	17	(45,606)	
(7,445)		Provisions	18	(1,202)	
(6,500)		Donated Assets Account	31	0	
(8,186)		Revenue Grants Receipts in Advance	31	(8,897)	
(4,591)		Capital Grants Receipts in Advance	31	(699)	
	(163,831)	**Current Liabilities**			**(107,469)**
(13,387)		Provisions	18	(18,718)	
(381,502)		Long Term Borrowing	12	(410,959)	
(46,198)		Deferred Liabilities	12, 41	(60,501)	
(56)		Revenue Grants Receipts in Advance	31	0	
(1,030)		Capital Grants Receipts in Advance	31	(2,707)	
(388,140)		Liability related to defined benefit pension scheme	37	(361,222)	
	(830,313)	**Long Term Liabilities**			**(854,107)**
	511,970	**Net Assets**			**579,951**
119,429		Usable Reserves		101,385	
392,541		Unusable Reserves	20	478,566	
	511,970	**Total Reserves**			**579,951**

This balance sheet was completed and authorised for issue on 17th August 2016, 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 2016.

Simon Wiles

Director of Finance and Corporate Services

(Section 151 officer)

17th August 2016

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, i.e. borrowing, to the Council.

31st March 2015		**31st March 2016**
£'000		**£'000**
(8,856)	Net surplus or (deficit) on the provision of services	(21,530)
56,778	Adjustments to net surplus or deficit on the provision of services for non-cash movements	110,229
(50,080)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(44,338)
(2,158)	**Net cash flows from Operating Activities (Note 21)**	**44,361**
(92,991)	**Investing Activities (Note 22)**	**(49,959)**
38,723	**Financing Activities (Note 23)**	**5,968**
(56,426)	Net increase or (decrease) in cash and cash equivalents	370
60,200	Cash and cash equivalents at the beginning of the reporting period	3,774
3,774	**Cash and cash equivalents at the end of the reporting period (see Note 15)**	**4,144**

Notes to the Core Financial Statements

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP) 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.

A review of the method by which the Minimum Revenue Provision (MRP) is calculated was undertaken during 2015/16. This review resulted in a change to the MRP policy selecting the Annuity method of calculation in relation to: Assets developed as part of the Civic and cultural quarter development funded by unsupported borrowing; the calculation of MRP provision in respect of its General fund CFR balance relating to pre 2007/08 government supported borrowing, and any further government supported debt applied post 2007/08.

The Annuity method produces a profile of MRP repayments that starts low and increases each year, the MRP provision calculated on the annuity basis has been updated to provide an amended profile for the annual MRP provision.

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 the appropriate service or, where applicable, to the Non Distributed Costs 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 authority recognises costs for a restructuring.

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

- Post-Employment Benefits

Employees of the Council are members of 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Public Health 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 3.6%. Details of the rates used and assumptions made are included in note 37 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 as part of Non Distributed Costs;
    - **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 authority 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 authority 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 authority 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 authority 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 authority'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 authority 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 Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

- Available-for-Sale Assets:

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

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

Assets are maintained 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 not prepared as these interests are not 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 Authority 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 lease 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 30, 40 or 50 years
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.

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 those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of: -

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

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

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 appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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: -

- The CIPFA Code of Practice on Transport Infrastructure Assets will be adopted in the 2016/17 Code. This will lead to the creation of a single Highways Network Asset, measured at its current value rather than historical cost, using depreciated replacement cost (DRC) as the method of valuation.

  Under the DRC approach, current value will be determined by estimating the gross replacement cost of each of the 7 components (roads, street lighting, signage, traffic management systems, footpaths and cycle ways, bridges and other structures and land) on a modern equivalent basis, deducting the estimated accumulated depreciation to arrive at the DRC.

  The change in accounting policy comes into effect from 1 April 2016. The update to the 2015/16 Code confirmed that the transition arrangements will not require comparatives to be restated or the opening balance on 1 April 2016 to be restated as a prior period adjustment. The new valuation will instead be accounted for in 2016/17 as an in year revaluation on 1 April 2016.

- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

- The changes to the format of the Pension Fund Account and the Net Assets Statement.

- A number of amendments to International Financial Reporting Standards (IFRSs). These largely comprise clarifications of the provisions of individual standards and are not expected to have a material impact on the Council's statement of accounts: -

  - IAS 1 Presentation of Financial Statements (Disclosure Initiative)
  - IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
  - Annual Improvements to IFRSs 2010 – 2012 Cycle.
  - Annual Improvements to IFRSs 2012 – 2014 Cycle
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
  - IFRS 11 Joint Arrangements (Accounting for Interests in Joint Operations)

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 not have any interests in subsidiaries, associated companies and joint ventures that are material both individually and in aggregate and therefore there is no requirement to produce a set of Group Accounts. 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 2016 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 2016 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 8)	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 2016 has been determined using an adjustment factor of 31%. A 1% decrease in this adjustment factor would have resulted in a revaluation loss of £15.749m in 2015/16.
Defined Benefit Pension Schemes Liabilities (Note 37)	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 £361.222m (£388.140m as at 31st March 2015). A 0.1% increase in the discount rate assumption would result in a decrease in the pensions' liability of £24.951m. A 0.1% increase in the inflation rate assumption would result in an increase in the pensions' liability of £25.436m. Similarly, a one year addition to members' life expectancy as at 31st March 2016 would result in an increase in the pensions' liability of £25.329m.
Fair Value Measurements **Investment Properties (Note 10)** **Financial Instruments (Note 12)**	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 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 17th August 2016. 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 2016, 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 17th August 2016.

6 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.

2015/16	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'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	13,286
Financial instruments (transferred to the Financial Instruments Adjustments Account)	214	2	0	0	0	(216)
Council tax & NNDR (transfers to (or from) Collection Fund)	1,460	0	0	0	0	(1,460)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,815	0	0	0	0	(1,815)
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	34	0	0	0	0	(34)
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	52,349
Total Adjustments to Revenue Resources	**(21,679)**	**(40,431)**	**0**	**0**	**0**	**62,110**
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	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(231)	(146)	377	0	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	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	21,531	0	(21,531)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	191	0	0	0	0	(191)
Former SYCC debt	1,478	0	0	0	0	(1,478)
PFI Finance Lease - principal repayment	1,823	0	0	0	0	(1,823)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,928	9,575	0	0	0	(13,503)

	Usable Reserves					
2015/16	**General Fund Balance £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movements in Unusable Reserves £'000**
Total Adjustments between Revenue and Capital Resources	**10,747**	**35,835**	**(8,056)**	**(21,531)**	**0**	**(16,995)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	5,548	0	0	(5,548)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	29,098	0	(29,098)
Application of capital grants to finance capital expenditure	0	0	0	0	6,988	(6,988)
Cash payments in relation to deferred capital receipts	0	0	(5)	0	0	5
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,533	17	0	0	(3,550)	0
Use of Capital Receipts Reserve to finance provision	(34)	0	34	0	0	0
Total Adjustments to Capital Resources	**3,499**	**17**	**5,577**	**29,098**	**3,438**	**(41,629)**
Total Adjustments	**(7,433)**	**(4,579)**	**(2,479)**	**7,567**	**3,438**	**3,486**

2014/15	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'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)	(6,159)	0	0	0	0	6,159
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(514)	2	0	0	0	512
Council tax & NNDR (transfers to (or from) Collection Fund)	(413)	0	0	0	0	413
Holiday pay (transferred to the Accumulated Absences Reserve)	1,250	0	0	0	0	(1,250)
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	276	0	0	0	0	(276)
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)	(33,932)	(37,506)	0	0	0	71,438
Total Adjustments to Revenue Resources	**(39,492)**	**(37,504)**	**0**	**0**	**0**	**76,996**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,063	4,656	(8,719)	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(161)	161	0	0	0
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,931)	0	1,931	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	20,654	0	(20,654)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,882	0	0	0	0	(8,882)
Former SYCC debt	1,344	0	0	0	0	(1,344)
PFI Finance Lease - principal repayment	1,670	0	0	0	0	(1,670)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,441	6,059	0	0	0	(10,500)
Total Adjustments between Revenue and Capital Resources	**18,469**	**31,208**	**(6,627)**	**(20,654)**	**0**	**(22,396)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	4,011	0	0	(4,011)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	30,713	0	(30,713)

2014/15	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
Application of capital grants to finance capital expenditure	0	0	0	0	7,948	(7,948)
Cash payments in relation to deferred capital receipts	0	0	(6)	0	0	6
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,213	100	0	0	(4,313)	0
Use of Capital Receipts Reserve to finance provision	(341)	0	341	0	0	0
Total Adjustments to Capital Resources	**3,872**	**100**	**4,346**	**30,713**	**3,635**	**(42,666)**
Total Adjustments	**(17,151)**	**(6,196)**	**(2,281)**	**10,059**	**3,635**	**11,934**

7 Transfers To / From Earmarked Reserves

	Balance at 31st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31st March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31st March 2016
General Fund:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balances held by schools under a scheme of delegation	12,284	(1,096)	3,145	14,333	(2,320)	45	12,058
Borough Investment Fund	9,412	(294)	992	10,110	(378)	333	10,065
Service Transformation Fund	7,000	(559)	0	6,441	(3,273)	3,723	6,891
NNDR - Contingency against Risks and Volatility	415	0	1,044	1,459	0	705	2,164
Severance costs	1,636	(716)	4,366	5,286	(5,618)	2,172	1,840
Revenue contribution to the capital programme	0	0	1,501	1,501	(28)	0	1,473
New NNDR Incentive Scheme	0	0	500	500	(41)	1,000	1,459
Stronger Families Programme	820	0	517	1,337	(198)	0	1,139
Public Health	1,557	0	679	2,236	(1,464)	264	1,036
S106 Agreements	1,259	(471)	204	992	(159)	191	1,024
Supporting & Maintaining Independence Programme	0	0	1,792	1,792	(823)	0	969
Adult Social Care System Implementation	1,817	(297)	0	1,520	(575)	0	945
Investment & Modernisation Fund - Revenue	500	0	410	910	0	0	910
Section 278 Agreements	974	(54)	13	933	(43)	0	890
Civic Office Major Items Replacement	294	0	302	596	0	195	791
LO-CYP & DCST Improvement Plans	1,479	(1,005)	130	604	(81)	0	523
Other	8,356	(5,373)	5,444	8,427	(4,841)	2,669	6,255
Total	**47,803**	**(9,865)**	**21,039**	**58,977**	**(19,842)**	**11,297**	**50,432**
Movement in year (see Movement in Reserves Statement) (MIRS)				**11,174**			**(8,545)**

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.

Borough Investment Fund
This reserve was established in 2002 to provide funding for the delivery of the Transformational Projects Investment Programme (T.P.I.P.) and now also provides for schemes largely in the Regeneration and Environment capital programme. The reserve is built up over a number of years to allow for early repayment of debt at the end of a defined loan period, usually twenty five years and the accumulation of surplus from the Investment and Modernisation Fund. This reserve has been reviewed and will be reallocated in 2016/17.

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.

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.

Severance costs
The earmarked reserve is being used to fund the redundancy costs and the full three year costs of retirement for post reductions in subsequent years. The remaining balance will be used to fund retirement and redundancy costs in 2016/17.

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 FARRRS and the Rail College.

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.

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 over the next three years and this reserve will be used to manage the implementation of the service changes required.

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.

Supporting & Maintaining Independence Programme
This reserve will be used to support the Adult Social Care and Health related transformation programme to change the way the services are provided and designed to reduce hospital and residential home admissions.

Adult Social Care System implementation
This is being used to fund the implementation of the new case management integrated finance system for Adult Social Care. Phase 1 went live in Sept 2014 and phase 2 is scheduled to be implemented over the second and third quarters of 2016/17.

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

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 balance includes £619k to be spent on the Frenchgate interchange over its lifetime.

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.

LO-CYP & DCST Improvement Plan
The reserve has been established to support the Improvement Plan for children's social care services. It has been used to fund social work training development, improvements to caseload management and development of the children social care records system. A division of the reserve has been agreed between LO-CYP (£206k) and DCST (£317k) to be used to deliver the remaining Improvement Plan actions by both organisations.

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

8 Property, Plant and Equipment

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**

Comparative Movements in 2014/15

2014/15									
	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 2014	**500,243**	**576,221**	**36,651**	**214,933**	**3,264**	**79,722**	**23,698**	**1,434,732**	**24,360**
Additions	46,095	18,669	3,127	7,011	508	693	25,428	**101,531**	48
Donation	0	0	0	0	0	0	6,500	**6,500**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(16,561)	18,951	0	0	(33)	(858)	0	**1,499**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	3,221	1,298	0	0	(252)	(119)	0	**4,148**	0
De-recognition – disposals	(3,250)	(35,720)	(669)	0	0	(3,056)	0	**(42,695)**	(24,360)
De-recognition – other	(20,062)	(3,515)	(1,909)	(1,929)	(187)	0	(58)	**(27,660)**	(48)
Assets reclassified (to)/from Held for Sale	0	(1,408)	0	0	0	(1,801)	0	**(3,209)**	0
Reclassification within PPE	49	(376)	0	2,660	57	(3,220)	830	**0**	0
At 31st March 2015	**509,735**	**574,120**	**37,200**	**222,675**	**3,357**	**71,361**	**56,398**	**1,474,846**	**0**
Accumulated Depreciation & Impairment									
At 1st April 2014	**(20,367)**	**(59,172)**	**(17,574)**	**(56,525)**	**(251)**	**(9,554)**	**(58)**	**(163,501)**	**(3,180)**
Depreciation charge	(20,100)	(14,806)	(3,310)	(4,555)	(41)	(45)	0	**(42,857)**	(612)
Depreciation & Impairment written out to the Revaluation Reserve	16,610	14,651	0	0	102	43	0	**31,406**	0
Depreciation & Impairment written out to the Surplus/Deficit on the Provision of Services	3,756	0	0	0	2	0	0	**3,758**	0
impairment losses / (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(1,022)	(120)	0	(75)	0	(660)	0	**(1,877)**	0
De-recognition – disposals	0	4,802	639	0	0	0	0	**5,441**	3,792
De-recognition – other	0	330	1,752	0	0	0	58	**2,140**	0
Reclassification within Held for sale	0	326	0	0	0	33	0	**359**	0
Reclassification within PPE	0	(270)	0	0	0	270	0	**0**	0
At 31st March 2015	**(21,123)**	**(54,259)**	**(18,493)**	**(61,155)**	**(188)**	**(9,913)**	**0**	**(165,131)**	**0**
Net Book Value									
At 31st March 2015	**488,612**	**519,861**	**18,707**	**161,520**	**3,169**	**61,448**	**56,398**	**1,309,715**	**0**
At 31st March 2014	**479,876**	**517,049**	**19,077**	**158,408**	**3,013**	**70,168**	**23,640**	**1,271,231**	**21,180**

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 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £16.784m. Similar commitments at 31 March 2015 were £29.299m. The major commitments are:

	£'000
Council House New Build Phase 2	8,967
Smartlight Street Light Programme	4,030
Thermal Improvement Programme Keepmoat	2,307
Thermal Improvement Programme Waites	1,480
Total	**16,784**

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 £'000	**Other Land and Buildings £'000**	**Vehicles, Plant, Furniture & Equipment £'000**	**Infrastructure Assets £'000**	**Community Assets £'000**	**Surplus Assets £'000**	**Assets Under Construction £'000**	**Total £'000**
Carried at Historical Cost	0	0	23,607	230,187	720	0	6,942	**261,456**
Valued at Fair Value as at:								
31st March 2016	487,312	206,416	0	0	0	59,284	0	**753,012**
31st March 2015	0	143,397	0	0	827	0	0	**144,224**
31st March 2014	0	54,736	0	0	477	0	0	**55,213**
31st March 2013	0	117,658	0	0	128	0	0	**117,786**
31st March 2012	0	50,087	0	0	998	0	0	**51,085**
Total Cost or Valuation	**487,312**	**572,294**	**23,607**	**230,187**	**3,150**	**59,284**	**6,942**	**1,382,776**

9 Heritage Assets

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

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**

2014/15	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1st April 2014	**136**	**2,514**	**5,366**	**12**	**43**	**3,084**	**11,155**
Additions	0	0	383	0	0	0	**383**
Disposals	0	(63)	0	0	0	0	**(63)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	(3)	0	1	0	**(2)**
Revaluation increases / (decreases) recognised in surplus or deficit on the provision of services	0	0	(4)	0	0	0	**(4)**
At 31st March 2015	**136**	**2,451**	**5,742**	**12**	**44**	**3,084**	**11,469**
Depreciation & Impairment							
At 1st April 2014	**0**	**0**	**(251)**	**0**	**0**	**(14)**	**(265)**
Depreciation	0	0	(239)	0	0	0	**(239)**
Impairment losses/ (reversals) recognised in surplus or deficit on the provision of services	0	0	(383)	0	0	0	**(383)**
At 31st March 2015	**0**	**0**	**(873)**	**0**	**0**	**(14)**	**(887)**
Net Book Value At 31st March 2015	**136**	**2,451**	**4,869**	**12**	**44**	**3,070**	**10,582**

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 and dramatic views across the town. The site was extensively restored between 2003 and 2007 and 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 are 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.

Summary of Transactions

	2014/15 £'000	**2015/16 £'000**
Cost of acquisitions of heritage assets		
Historic Land & Buildings	383	0
Total cost of purchases	**383**	**0**
Disposal of heritage assets		
Exhibits, Statues & Monuments	(63)	0
Total cost of purchases	**(63)**	**0**
Impairment Recognised in the period		
Historic Land & Buildings	(383)	0
Total cost of purchases	**(383)**	**0**

10 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: -

	2014/15 £'000	2015/16 £'000
Rental income from investment property	66	179
Direct operating expenses arising from investment property	(2)	(5)
Net gain/(loss)	**64**	**174**

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: -

	2014/15 £'000	2015/16 £'000
Balance at start of the year	**17,312**	**17,306**
Net gains/(losses) from fair value adjustments	(6)	425
to/from Property, Plant and Equipment	0	(8,700)
Balance at end of the year	**17,306**	**9,031**

Fair Value Hierarchy
All investment properties were valued at Level 2 of the fair value hierarchy. Details as at 31st March 2016 are as follows

Recurring fair value measurement using:	Fair Value as at 31 March 2016
	£'000
Agricultural Land	365
Commercial Unit	6,920
Industrial Unit	1,746
Total	**9,031**

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.

11 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: -

	2014/15	2015/16
	Other Assets	Other Assets
	£'000	£'000
Balance at start of year		
- Gross carrying amounts	5,231	6,268
- Accumulated amortisation	(1,960)	(3,016)
Net carrying amount at start of year	3,271	3,252
Additions - Purchases	1,037	983
Assets reclassified - GBV	0	63
Amortisation for the period	(1,056)	(467)
Net carrying amount at end of year	**3,252**	**3,831**
Comprising:		
- Gross carrying amounts	6,268	7,314
- Accumulated amortisation	(3,016)	(3,483)
	3,252	**3,831**

12 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 2015 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000
Investments				
Loans and receivables	24	28	40,073	25,029
Loans and receivables - Cash Equivalents (Note 15)	0	0	24,300	16,900
Unquoted equity investment at cost (b)	2,772	2,772	0	0
Total investments	**2,796**	**2,800**	**64,373**	**41,929**
Debtors				
Loans and receivables	7,873	7,744	0	0
Financial assets carried at contract amount (trade debt)	0	0	45,251	22,978
Total Debtors	**7,873**	**7,744**	**45,251**	**22,978**
Borrowings				
Financial liabilities at amortised cost (a)	381,502	410,959	58,587	38,284
Total borrowings	**381,502**	**410,959**	**58,587**	**38,284**
Other Long Term Liabilities				
PFI lease liabilities (Note 35)	36,270	52,199	1,791	2,093
Metropolitan debt (SYCC)	9,928	8,302	1,478	1,626
Total other long term liabilities	**46,198**	**60,501**	**3,269**	**3,719**
Creditors				
Financial liabilities carried at contract amount (trade credit)	0	0	7,366	8,323
Total creditors	**0**	**0**	**7,366**	**8,323**

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

	2014/15				2015/16		
	Financial Liabilities measured at amortised cost	**Financial Assets Loans and receivables**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets Loans and receivables**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	(18,596)	0	0	**(18,596)**	(20,870)	0	**(20,870)**
Reductions in fair value	0	0	(632)	**(632)**	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**(18,596)**	**0**	**(632)**	**(19,228)**	**(20,870)**	**0**	**(20,870)**
Interest income	0	709	0	**709**	0	1,674	**1,674**
Total income in Surplus or Deficit on the Provision of Services	**0**	**709**	**0**	**709**	**0**	**1,674**	**1,674**
Net gain/(loss) for the year	**(18,596)**	**709**	**(632)**	**(18,519)**	**(20,870)**	**1,674**	**(19,196)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and the other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. We have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be seen as a proxy for transfer value);
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- The estimated range of interest rates at 31st March 2016 are between 1.13% and 3.11% for loans from the PWLB, market loans payable were between 0.41% and 2.12% and between 0.25% and 1.44% for loans and receivables;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity in the next 12 months or is a trade or other receivable, 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 valuations from the Council's advisers use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used in the private sector.

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: -

	31st March 2015		31st March 2016	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial liabilities	440,090	536,000	449,243	556,505

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31st March 2015		31st March 2016	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Loans and receivables	64,396	64,424	41,957	41,943
Long-term debtors	7,873	7,873	7,744	7,744

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.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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 be requiring 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 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. The 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. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

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 prices 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 2015/16 was approved by Full Council on 3rd March 2015. 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 2016.

Credit Ratings							
Long Term Rating	**Short Term Rating**	**Viability Rating**	**Support Rating**	**Max Limit per institution £'m**	**Highest Investment £'m**	**Total Investments £'m**	**Number of Institutions**
A	F1	a	5	£10m	£20m	£15m	2
AA-	F1+	aa-	2	£20m	£16.9m	£16.9m	1
A	F1	a	2	£11m	£10m	£10m	1

A maturity analysis based on the expectation of repayment of the investments as at 31st March, 2016 is:

	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Deposits with Banks and Building Societies	16.9	25.0	0	0	41.9

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £41.9m 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 2016 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to deposits and bonds.

Following a previous distribution of assets the Council is a party to an escrow account held in Iceland. Our share is currently valued at £27,689 and is earning interest at 4.60% annually. Until the Central Bank of Iceland agrees to the lifting of currency controls the Council is unable to repatriate these funds. They will therefore remain subject to exchange rate risk. The investment will be revalued annually and adjusted for any changes in exchange rates during the year.

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 £22.978m outstanding at the year end. The Council does not generally allow credit for its trade debtors, such that £14.772m of the £22.978 balance is past its due date for payment (£15.244m of £45.251m in 2014/15). The past due amount can be analysed by age as follows:

2014/15		**2015/16**
£'000		**£'000**
4,631	Less than 3 months	5,773
1,708	3 to 6 months	1,587
2,443	6 months to 1 year	1,673
6,462	More than 1 year	5,739
15,244	**Total Trade Debtors**	**14,772**

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 ensures it has sufficient funds available on a daily basis that are necessary for the achievement of its service objectives. If excess funds are available following receipt of income/grants, etc. they are placed with counter-parties to gain some income from interest until they are 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 the Council's escrow account with Landsbanki Islands hf detailed above.

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 2015		Actual 31st March 2016	
	%	%	%	£'000	%	£'000
Less than one year	30	0	19.30	84,281	7.80	34,586
Between one and two years	50	0	10.21	44,586	2.75	12,187
Between two and five years	50	0	12.08	52,747	9.15	40,560
Between five and ten years	75	0	4.85	21,161	7.03	31,161
Between ten and twenty years	95	10	8.75	38,213	8.62	38,213
Between twenty and thirty years			10.56	46,093	10.40	46,093
Over thirty years			34.25	149,502	54.25	240,382
TOTAL			**100.00**	**436,583**	**100.00**	**443,182**

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 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, 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 Landsbanki Islands hf, 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 2015/16 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 Council 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 advise 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:

2014/15		2015/16
£'000		£'000
	External Debt	
290	Increase in interest payable on variable rate borrowings	0
194	Share attributable to the HRA	0
	Investments	
(634)	Increase in interest receivable on variable rate investments	(419)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

f) Foreign Exchange Risk

With the exception of its investment in Landsbanki, 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.

Foreign exchange risk in relation to Icelandic deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls. The maximum exposure is currently £27,689.

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.

13 Inventories

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**

Comparative 2014/15	Consumable Stores £'000	Transport £'000	General Materials £'000	Total £'000
Balance outstanding at start of year	**593**	**206**	**56**	**855**
Purchases	1,452	1,186	2,724	**5,362**
Recognised as an expense in the year	(1,534)	(1,220)	(2,705)	**(5,459)**
Written off balances	0	0	(8)	**(8)**
Balance outstanding at year-end	**511**	**172**	**67**	**750**

14 Debtors

	31st March 2015 £'000	31st March 2016 £'000
Debtors		
Central Government bodies	21,011	11,790
Other local authorities	1,768	1,751
NHS bodies	1,204	4,763
Public corporations and trading funds	0	48
Other entities and individuals	55,211	47,050
Sub Total	**79,194**	**65,402**
Payments in advance	9,629	8,280
Total	**88,823**	**73,682**

15 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements: -

	31st March 2015 £'000	31st March 2016 £'000
Cash held by the Council	20	25
Bank overdraft	(20,546)	(12,781)
Cash investments regarded as cash equivalents (bank current accounts and short-term deposits with bank, building societies and other banking sector)	24,300	16,900
Total Cash and Cash Equivalents	**3,774**	**4,144**

16 Assets Held For Sale

	Current	
	2014/15	2015/16
	£'000	£'000
Balance outstanding at start of year	**237**	**0**
Assets newly classified as held for sale: Property, Plant and Equipment	2,850	9,300
Assets declassified as held for sale: Assets sold	(3,087)	(3,300)
Balance outstanding at year-end	**0**	**6,000**

17 Creditors

	31st March 2015 £'000	31st March 2016 £'000
Creditors		
Central Government bodies	(8,994)	(9,915)
Other local authorities	(1,593)	(1,852)
NHS bodies	(887)	(2,034)
Public corporations and trading funds	(2)	(8)
Other entities	(42,163)	(27,415)
Sub Total	**(53,639)**	**(41,224)**
Receipts in Advance	(4,337)	(4,382)
Total	**(57,976)**	**(45,606)**

18 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 2015	9,088	4,935	3,092	1,546	2,171	**20,832**
Additional provisions made in 2015/16	3,396	328	0	249	32	**4,005**
Amounts used in 2015/16	(1,614)	(771)	(512)	0	(373)	**(3,270)**
Unused amounts reversed in 2015/16	0	0	(600)	0	(1,047)	**(1,647)**
Balance at 31st March 2016	**10,870**	**4,492**	**1,980**	**1,795**	**783**	**19,920**
Short Term Provisions	907	0	0	0	295	1,202
Long Term Provisions	9,963	4,492	1,980	1,795	488	18,718

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 2016 this was estimated to be approximately £9.4m and it is estimated that the cost to the Council of settling these claims will be £7.5m 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 £1.4m, this together with a reserve for emerging claims gives a total insurance fund value of £10.9m.

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 & 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 2016 is £9.166m. The Council's share is £4.492m (49%). The decrease in provision is largely due to receiving fewer backdated appeals for 2015/16 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.

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 claw-back 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 £1.795m.

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.

19 Usable Reserves

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

20 Unusable Reserves

31st March 2015 £'000		31st March 2016 £'000
268,610	Revaluation Reserve (Note 20a)	295,364
530,745	Capital Adjustment Account (Note 20b)	548,373
(1,572)	Financial Instruments Adjustment Account (Note 20c)	(1,356)
(410,550)	Pension Reserve (Note 20d)	(372,427)
4,839	Deferred Capital Receipts Reserve (Note 20e)	4,834
3,322	Collection Fund Adjustment (Note 20f)	4,782
(2,815)	Accumulated Absences Account (Note 20g)	(1,000)
(38)	Unequal Pay Back Pay Account (Note 20h)	(4)
392,541	**Total Unusable Reserves**	**478,566**

20a 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.

2014/15 £'000		2015/16 £'000
251,696	**Balance at 1st April**	**268,610**
39,249	Upward revaluation of assets	64,265
(6,346)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(26,163)
32,903	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**38,102**
(5,799)	Difference between fair value depreciation and historical cost depreciation	(5,589)
(10,190)	Accumulated gains on assets sold or scrapped	(5,759)
(15,989)	**Amount written off to the Capital Adjustment Account**	**(11,348)**
268,610	**Balance at 31st March**	**295,364**

20b 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.

2014/15 £'000		2015/16 £'000	
521,126	**Balance at 1st April**		**530,745**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
(22,997)	Charges for depreciation of non-current assets	(25,178)	
(20,100)	Charges for depreciation on Council dwellings	(20,751)	
(2,238)	Charges for impairment of non-current assets	(1,429)	
7,953	Revaluation gains / (losses) on Property, Plant and Equipment	(9,939)	
(1,056)	Charges for amortisation of non-current assets	(467)	
(5,173)	Revenue expenditure funded from capital under statute	(2,722)	
(65,924)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(32,121)	
(109,535)			**(92,607)**
15,989	Adjusting amounts written out of the Revaluation Reserve	11,348	
(93,546)	**Net written out amount of the cost of non-current assets consumed in the year**		**(81,259)**
Capital financing applied in the year:			
4,011	Use of the Capital Receipts Reserve to finance new capital expenditure	5,548	
30,713	Use of the Major Repairs Reserve to finance new capital expenditure	29,098	
38,103	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	38,497	
7,948	Application of grants to capital financing from the Capital Grants Unapplied Account	6,988	
10,500	Capital expenditure charged against the General Fund and HRA balances	14,839	
8,882	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	191	
1,670	Write down of PFI Finance Liabilities	1,823	
1,344	Former South Yorkshire County Council debt repayment	1,478	
103,171			**98,462**
(6)	Movements in the market value of Investment Properties debited or credited to the CI&ES	425	
530,745	**Balance at 31st March**		**548,373**

20c 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 2016 will be charged to the General Fund.

2014/15 £'000		2015/16 £'000	
(1,060)	**Balance at 1st April**		**(1,572)**
(632)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
120	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	216	
(512)	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		**216**
(1,572)	**Balance at 31st March**		**(1,356)**

20d 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.

2014/15 £'000		2015/16 £'000
(296,261)	**Balance at 1st April**	**(410,550)**
(108,130)	Actuarial gains or losses on pensions assets and liabilities	51,409
(34,787)	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 37)	(41,346)
28,628	Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 37)	28,060
(410,550)	**Balance at 31st March**	**(372,427)**

20e Deferred Capital Receipts Reserve

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

2014/15 £'000		2015/16 £'000
4,845	**Balance at 1st April**	**4,839**
(6)	Transfer to the capital Receipts Reserve upon receipt of cash	(5)
4,839	**Balance at 31st March**	**4,834**

20f Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and NNDR 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.

2014/15 £'000		2015/16 £'000
3,735	**Balance at 1st April**	**3,322**
(413)	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	1,460
3,322	**Balance at 31st March**	**4,782**

20g 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.

2014/15 £'000		2015/16 £'000	
(4,065)	**Balance at 1st April**		**(2,815)**
4,065	Settlement or cancellation of accrual made at the end of the preceding year	2,815	
(2,815)	Amounts accrued at the end of the current year	(1,000)	
1,250	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		1,815
(2,815)	**Balance at 31st March**		**(1,000)**

20h Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority 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.

2014/15 £'000		2015/16 £'000	
(314)	**Balance at 1st April**		**(38)**
(65)	Increase in provision for back pay in relation to Equal Pay cases	0	
341	Cash settlements paid in year	34	
276	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		**34**
(38)	**Balance at 31st March**		**(4)**

21 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items: -

2014/15 £'000		2015/16 £'000
663	Interest received	1,595
(18,250)	Interest paid	(20,784)

The surplus or deficit on the provision of services has been adjusted on the following non-cash movements: -

2014/15 £'000		2015/16 £'000
43,097	Depreciation	45,929
(5,642)	Impairment and valuations	11,474
1,056	Amortisation	467
0	Donated Assets	(8,374)
(13,446)	Increase/(Decrease) in creditors	(12,554)
(14,831)	(Increase)/Decrease in debtors	20,242
(519)	(Increase)/Decrease in inventories	(2,077)
(16,251)	Movement in pension liability	24,491
65,924	Carrying amount of non-current assets held for sale, sold or de-recognised	32,121
(2,610)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,490)
56,778		**110,229**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities: -

2014/15 £'000		2015/16 £'000
1,055	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(8,719)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,664)
(42,416)	Capital Grants credited to surplus or deficit on the provision of services	(33,674)
(50,080)		**(44,338)**

22 Cash Flow Statement – Investing Activities

2014/15 £'000		2015/16 £'000
(102,951)	Purchase of property, plant and equipment, investment property and intangible assets	(102,610)
(40,000)	Purchase of short-term and long-term investments	(25,004)
(3,040)	Other payments for investing activities	0
8,725	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,669
5,000	Proceeds from short-term and long-term investments	40,000
39,125	Capital grant received	25,979
150	Other capital cash receipts	1,007
(92,991)	**Net cash flows from investing activities**	**(49,959)**

23 Cash Flow Statement – Financing Activities

2014/15 £'000		2015/16 £'000
135,235	Cash receipts of short and long term borrowing	93,177
1,403	Other receipts from financing activities	170
(1,670)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,791)
(96,245)	Repayments of short- and long-term borrowing	(85,588)
38,723	**Net cash flows from financing activities**	**5,968**

24 Amounts Reported For Resource Allocation Decisions

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

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

The income and expenditure of the Council's directorates recorded in the budget reports for the year, as referred to under the financial performance for 2015/16 in the narrative statement, is in the table below. The net spend differs to the narrative statement as the table below includes £2.2m net expenditure on schools.

2015/16 Directorate	Gross spend £'000	Income £'000	Net spend £'000
Adults, Health and Wellbeing	148,876	(60,867)	88,009
Learning Opportunities - Children & Young People (including schools budgets)	316,821	(269,133)	47,688
Finance & Corporate Services	124,446	(105,196)	19,250
Regeneration & Environment	133,365	(92,526)	40,839
Council Wide and other	88,594	(183,945)	(95,351)
Total	**812,102**	**(711,667)**	**100,435**

Comparative Figures

2014/15 Directorate	Gross spend £'000	Income £'000	Net spend £'000
Adults, Health and Wellbeing	147,690	(66,376)	81,314
Learning Opportunities - Children & Young People (including schools budgets)	320,279	(276,550)	43,729
Finance & Corporate Services	124,964	(107,497)	17,467
Regeneration & Environment	128,647	(87,935)	40,712
Council Wide and other	152,829	(263,270)	(110,441)
Total	**874,409**	**(801,628)**	**72,781**

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

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. The Council does not internally report on the assets and liabilities of individual segments and therefore there is no separate segmental analysis required.

The 2014/15 figures have been restated to take out the group segment due to no longer producing group accounts.

	2014/15 Restated £'000	2015/16 £'000
Net expenditure in the directorate analysis	72,781	100,435
Amounts in the CI&ES not reported to management in the analysis	39,440	59,400
Amounts included in the analysis not included in the CI&ES	99,963	82,544
Cost of Services in Comprehensive Income and Expenditure Statement	**212,184**	**242,379**

Reconciliation to Subjective Analysis

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

2015/16	**Net expenditure in directorate analysis**	**Amounts not included in the analysis but included in the CI&ES**	**Amounts included in the analysis but not included in the CI&ES**	**Net cost of services**	**Amounts reported below the net expenditure of continuing operations in the CI&ES**	**Total (surplus) / deficit for the year**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net expenditure	**187,836**	**78,615**	**0**	**266,451**	**0**	**266,451**
Trading Services surplus	(2,136)	0	2,136	**0**	(1,074)	**(1,074)**
Interest and investment income	(1,579)	0	0	**(1,579)**	(1,674)	**(3,253)**
Income from Council Tax	0	0	0	**0**	(91,038)	**(91,038)**
Government grants and contributions	(97,218)	0	97,218	**0**	(185,637)	**(185,637)**
Capital grants and contributions applied	0	37,477	0	**37,477**	0	**37,477**
HRA	0	(19,447)	0	**(19,447)**	0	**(19,447)**
SLHD pension liability (pre transfer)	0	(2,287)	0	**(2,287)**	0	**(2,287)**
CST pension liability (pre transfer)	0	3,163	0	**3,163**	0	**3,163**
Pension interest cost and expected return in pension assets	0	11	0	**11**	12,213	**12,224**
Depreciation, Amortisation and Impairment	0	(33,832)	0	**(33,832)**	0	**(33,832)**
Interest payments	9,092	0	(9,092)	**0**	20,870	**20,870**
Precepts and levies	2,169	0	(2,169)	**0**	2,169	**2,169**
Payments to Government Housing Capital Receipts Pool	2,231	0	(2,231)	**0**	2,231	**2,231**
Gains / losses on disposal of Fixed Assets	0	0	0	**0**	21,690	**21,690**
Adjustments involving revenue expenditure funded from capital under statute	0	2,722	0	**2,722**	0	**2,722**
Adjustments involving other reserves	214	(7,022)	0	**(6,808)**	0	**(6,808)**
Items not included in CI&ES (e.g. MRP)	0	0	(3,492)	**(3,492)**	0	**(3,492)**
Other	(174)	0	174	**0**	(599)	**(599)**
Net Expenditure as per analysis	**100,435**	**59,400**	**82,544**	**242,379**	**(220,849)**	**21,530**

2014/15 Restated	Net expenditure in directorate analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Net cost of services	Amounts reported below the net expenditure of continuing operations in the CI&ES	Total (surplus) / deficit for the year
	£'000	£'000	£'000	£'000	£'000	£'000
Net expenditure	**184,756**	**7,692**	**0**	**192,448**	**0**	**192,448**
Trading Services surplus	(3,117)	0	3,117	**0**	(2,858)	**(2,858)**
Interest and investment income	(599)	0	599	**0**	(709)	**(709)**
Income from Council Tax	0	0	0	**0**	(85,215)	**(85,215)**
Government grants and contributions	(118,972)	0	118,972	**0**	(206,220)	**(206,220)**
Capital grants and contributions applied	0	36,864	0	**36,864**	0	**36,864**
HRA	0	(23,689)	0	**(23,689)**	0	**(23,689)**
SLHD pension liability (pre transfer)	0	4,988	0	**4,988**	0	**4,988**
Pension interest cost and expected return in pension assets	0	(10,974)	0	**(10,974)**	11,886	**912**
Depreciation, Amortisation and Impairment	0	23,739	0	**23,739**	0	**23,739**
Interest payments	6,850	0	(6,850)	**0**	18,596	**18,596**
Precepts and levies	2,114	0	(2,114)	**0**	2,114	**2,114**
Payments to Government Housing Capital Receipts Pool	1,931	0	(1,931)	**0**	1,931	**1,931**
Gains / losses on disposal of Fixed Assets	0	0	0	**0**	57,205	**57,205**
Adjustments involving revenue expenditure funded from capital under statute	0	5,173	0	**5,173**	0	**5,173**
Adjustments involving other reserves	(118)	(4,353)	0	**(4,471)**	0	**(4,471)**
Items not included in CI&ES (e.g. MRP)	0	0	(11,896)	**(11,896)**	0	**(11,896)**
Other	(64)	0	66	**2**	(58)	**(56)**
Net Expenditure as per analysis	**72,781**	**39,440**	**99,963**	**212,184**	**(203,328)**	**8,856**

25 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 £1.654m and £0.483m respectively. All individual operations made a surplus before the IAS19 adjustment with the exception of markets which was due to revaluation losses.

	2014/15			2015/16		
	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	(1,703)	1,440	**(263)**	(1,441)	2,141	**700**
Bereavement Services	(2,706)	1,442	**(1,264)**	(2,932)	1,851	**(1,081)**
Parking	(1,707)	1,505	**(202)**	(1,803)	1,602	**(201)**
Trade Waste	(2,156)	1,653	**(503)**	(2,329)	1,385	**(944)**
Total Services to the public included in Expenditure of Continuing Operations	**(8,272)**	**6,040**	**(2,232)**	**(8,505)**	**6,979**	**(1,526)**
Support services recharged to Expenditure of Continuing Operations						
Metro Clean	(5,668)	5,720	**52**	(5,413)	5,661	**248**
Schools Catering	(9,133)	8,455	**(678)**	(9,393)	9,597	**204**
Total Support services recharged to Expenditure of Continuing Operations	**(14,801)**	**14,175**	**(626)**	**(14,806)**	**15,258**	**452**
Net surplus credited to Other Operating Expenditure	**(23,073)**	**20,215**	**(2,858)**	**(23,311)**	**22,237**	**(1,074)**

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 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.

26 Pooled Budget Arrangements

The Authority 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 Authority or the Trust depending on the client requirements. The Authority 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 Authority has incurred expenditure in line with the agreed outcomes; people are independent with good health and wellbeing; when in need of care/or support it is flexible and appropriate and where people are in urgent need of care or crisis, there will be responsive services that meet their needs; and other areas identified including enablers, programme management and Disabled Facilities Grant (DFG)/Care Act.

	2015/16		
	Revenue £'000	**Capital £'000**	**Total £'000**
Funding provided to the pooled budget:			
the Authority	0	2,085	**2,085**
Doncaster CCG	22,078	0	**22,078**
	22,078	**2,085**	**24,163**
Expenditure met from the pooled budget:			
the Authority	6,920	2,085	**9,005**
Doncaster CCG	15,158	0	**15,158**
	22,078	**2,085**	**24,163**
Net surplus arising on the pooled budget during the year	0	0	**0**

27 Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during the year.

2014/15		**2015/16**
£		**£**
981,322	Allowances	892,969
4,030	Expenses	3,281
2,434	Co-opted members	1,754
987,786	**Total**	**898,004**

28 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	**2015/16**	149,000	900	0	19,337	**169,237**
	2014/15	149,000	0	0	19,221	**168,221**
Director of Adults, Health & Wellbeing K Curry - Note 1	**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**
	2014/15	75,739	46	0	9,770	**85,555**
Director of Regeneration & Environment P Dale	**2015/16**	120,379	900	0	15,645	**136,924**
	2014/15	120,379	0	0	15,529	**135,908**
Director of Learning Opportunities: Children & Young People D Allen – Note 3	**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**
	2014/15	140,675	13,240	0	0	**153,915**
Director of Finance & Corporate Services (Section 151 Officer) S Wiles	**2015/16**	113,357	810	0	14,727	**128,894**
	2014/15	112,652	0	0	14,532	**127,184**
Director of Public Health R Suckling – Note 5	**2015/16**	100,308	1,126	0	14,473	**115,907**
Director of Public Health T Baxter – Note 6	**2014/15**	111,596	27,740	0	18,726	**158,062**
Monitoring Officer S Fawcus Note 7	**2015/16**	6,967	0	0	899	**7,866**
Monitoring Officer R Harvey Note 7	**2015/16**	83,817	0	0	10,812	**94,629**
	2014/15	89,943	149	0	11,622	**101,714**
Director of Adults & Communities J Beck – Note 8	**2014/15**	20,063	0	0	0	**20,063**

Note 1 – K Curry started work with the Council on 18th January. K Curry, although not regarded as an employee of the Council under employment law, currently occupies 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. 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 – R Suckling was appointed to the role of Director of Public Health on 1st April 2015.

Note 6 – T Baxter left the Council on 31st March 2015. T Baxter covered the statutory role for Rotherham MBC from 4th December 2014 to 31st March 2015; the Council received income from Rotherham MBC for this period.

Note 7 - R Harvey left the Council on 29th February 2016. S Fawcus became Monitoring Officer on 1 March 2016.

Note 8 – J Beck left the Council on 31st May 2014.

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

2014/15			**Salary Banding**	**2015/16**		
DMBC	**Schools**	**Total**	**£**	**DMBC**	**Schools**	**Total**
11	35	46	50,000 - 54,999	32	31	63
18	28	46	55,000 - 59,999	18	36	54
19	19	38	60,000 - 64,999	19	22	41
3	12	15	65,000 - 69,999	8	8	16
1	9	10	70,000 - 74,999	2	8	10
1	4	5	75,000 - 79,999	1	4	5
2	0	2	80,000 - 84,999	3	4	7
8	1	9	85,000 - 89,999	2	0	2
2	0	2	90,000 - 94,999	8	1	9
1	0	1	95,000 - 99,999	1	0	1
0	0	0	100,000 - 104,999	1	0	1
0	1	1	105,000 - 109,999	0	0	0
0	0	0	110,000 - 114,999	0	0	0
0	0	0	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
0	0	0	215,000 - 219,999	1	0	1
66	**109**	**175**	**Total**	**97**	**114**	**211**

The table above excludes the senior employees and posts whose remuneration for 2014/15 and 2015/16 are 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 2014/15 and 2015/16 than would otherwise be the case. In 2015/16, 17 employees are included in the above table due to the inclusion of termination payments.

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 (£)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	34	13	84	103	118	116	781,725	928,056
£20,001 - £40,000	0	1	7	20	7	21	170,637	544,670
£40,001 - £60,000	2	0	1	1	3	1	136,457	43,328
£60,001 and above	0	0	0	3	0	3	0	291,972
Total	**36**	**14**	**92**	**127**	**128**	**141**	**1,088,819**	**1,808,026**

29 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: -

	2014/15 £'000	2015/16 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	166	165
Fees payable to KPMG for the certification of grant claims and returns for the year	34	18
Fees payable in respect of other services provided by KPMG during the year	29	15
Total	**229**	**198**

30 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 2015

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 2015/16 are as follows: -

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015/16 before academy recoupment	22,480	203,334	225,814
Academy figure recouped for 2015/16	(1,900)	(104,240)	(106,140)
Total DSG after academy recoupment for 2015/16	**20,580**	**99,094**	**119,674**
Plus: Brought Forward from 2014/15	5,518	0	5,518
Less: Carry-forward to 2016/17 agreed in advance	(1,239)	0	(1,239)
Agreed initial budgeted distribution in 2015/16	**24,859**	**99,094**	**123,953**
In-year adjustments	39	0	39
Final budgeted distribution for 2015/16	**24,898**	**99,094**	**123,992**
Less: Actual central expenditure	(22,143)	0	(22,143)
Less: Actual ISB deployed to schools	0	(99,094)	(99,094)
Carry forward to 2016/17	**2,755**	**0**	**2,755**

31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16: -

	2014/15 £'000	2015/16 £'000
Credited to Taxation and Non Specific Grant Income Capital Grants and Contributions		
Developer Contributions – Finningley and Rossington Regeneration Route Scheme (FARRRS)	13,600	12,870
Department for Transport - Local Transport Plan (Maintenance)	3,478	6,107
Department for Transport - Local Transport Plan (Central Pot)	2,189	2,486
Department for Education - Local Authority Capital Maintenance	2,867	2,302
Department for Business, Innovation and Skills - National College's Investment Fund	0	1,808
Department for Education - New Pupil Places (Basic Need)	1,332	1,733
Department for Education - Targeted Basic Need Programme	4,936	1,522
Homes and Communities Agency - Empty Property	1,239	1,020
National Heritage Memorial Fund - Bentley Park	1,639	47
Department for Business, Innovation and Skills - Regional Growth Fund (Finningley and Rossington Regeneration Route Scheme)	4,891	0
Home and Communities Agency - Traveller Pitch Funding Programme	1,437	0
Other Grants and Contributions	4,809	3,778
Finningley and Rossington Regeneration Route Scheme (FARRRS) - Road Infill Donated Asset	0	8,374
Total	**42,417**	**42,047**
Non-Ring fenced Government Grants		
Revenue Support Grant	83,450	60,943
Business Rates Retention Top Up Grant	26,466	26,972
New Homes Bonus	2,430	3,479
Small Business Rates Relief	1,517	1,617

	2014/15	2015/16
2014-15 Multiplier Cap	732	1,057
Other	4,377	3,150
Total	**118,972**	**97,218**
Credited to Services		
Dedicated Schools Grant (DSG)	125,743	119,713
Mandatory Rent Allowance: subsidy	51,070	49,085
Mandatory Rent Rebates: subsidy	42,778	42,555
Public Health Grant	20,198	22,184
Pupil Premium	11,191	10,330
Private Finance Initiative (PFI) Annuity Grant	3,478	3,478
Universal Infant Free School Meals (UIFSM) Funding	1,542	2,864
Education Services Grant	3,474	2,773
Department for Environment, Food and Rural Affairs (Defra) Waste Infrastructure Grant	0	2,683
Housing Benefit & Council Tax Admin Benefit Subsidy	1,877	2,050
Care Act Grant	125	1,913
Department for Education - Improvement Grant	1,816	1,244
Skills Funding Agency Safeguarded Learning	945	1,022
Initial Teacher Training Grant	771	795
Youth Justice Board	886	766
PE & Sports Grant	755	764
Skills Funding Agency Sixth Forms	1,238	687
Independent Living Fund Grant	0	593
Discretionary Housing Payments	664	570
Other Grants	5,540	3,874
Total	**274,091**	**269,943**
Contributions		
Primary Care Trust - Section 256 and Section 75	12,589	9,797
Primary Care Trust Continuing Healthcare Contribution to care packages	3,741	2,410
Other	4,477	4,568
Total	**20,807**	**16,775**

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	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Donated Assets Account				
Finningley and Rossington Regeneration Route Scheme - Road Infill	6,500	0	0	0
Total	**6,500**	**0**	**0**	**0**
Revenue Grants Receipts in Advance				
Reablement Grant	7,630	7,630	0	0
Other	556	1,267	56	0
Total	**8,186**	**8,897**	**56**	**0**
Capital Grants & Contributions Receipts in Advance				
Department for Education - Targeted Basic Need	1,523	0	0	0
Department for Transport - Local Transport Plan (LTP) Maintenance	1,056	0	0	0
Section 106	55	0	865	2,581
Other Grant & Contribution	1,957	699	165	126
Total	**4,591**	**699**	**1,030**	**2,707**

32 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. In this context, related parties include: -

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 31.

Members
Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2015/16 is shown in Note 27. Members have disclosed material transactions with related parties during 2015/16. These are Rotherham, Doncaster and South Humber Foundation Trust £14.8m and Yorkshire Purchasing Organisation £2.2m.

The Register of Members' Interest is open to public inspection at the Civic Office during office hours, on application and is also available on the Council's website.

Officers
Officers have disclosed material transactions with Doncaster Children's Services Trust. During 2015/16 the Council provided £43.551m (23.107m in 2014/15 from 1st October 2014), under the terms of service delivery contract.

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 2015/16 was £15.185m (£16.966m in 2014/15).

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.

  The Council paid St Leger Homes Ltd a management fee of £26.7m in 2015/16 (£26.2m in 2014/15) for it to manage and maintain the Council's Housing Revenue Account stock on its behalf and manage the Housing General Fund capital programme.

  St Leger Homes Ltd used £0.89m (£0.79m in 2014/15) of this management fee to buy back services from the Council under a service level agreement including; grounds maintenance, transport, safety wardens, payroll and information services.

- **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 will be 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 £11,241,316 (£8,998,228 in 2014). The company made a profit for the year of £2,243,088 after tax (£1,495,903 after tax in 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.

33 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it.

Where capital expenditure 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.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	**533,742**	**547,995**
Capital investment:		
Property, Plant and Equipment *	101,531	119,649
Donated Property, Plant and Equipment	6,500	1,874
Heritage Assets **	383	0
Intangible Assets ***	1,037	983
Long term loans and advances	2,800	7,710
Revenue Expenditure Funded from Capital Under Statute	5,173	2,722
Sources of Finance:		
Capital receipts	(4,011)	(5,548)
Government grants and other contributions	(46,051)	(37,110)
Donated Assets	0	(8,374)
Major Repairs Reserve	(30,713)	(29,098)
Direct revenue contributions	(10,500)	(14,839)
MRP / loans fund principal	(11,896)	(3,492)
Closing Capital Financing Requirement	**547,995**	**582,472**
Explanation of movements in year:		
Increase in underlying need to borrowing (supported by Government financial assistance)	59	0
MRP / loans fund principal	(11,896)	(3,492)
Donated Assets	6,500	(6,500)
Increase in underlying need to borrowing (unsupported by Government financial assistance)	18,644	23,968
Assets acquired under PFI/PPP contracts	0	25,733
Unfinanced expenditure	946	(5,232)
Increase / (decrease) in Capital Financing Requirement	**14,253**	**34,477**

* These figures match to the additions lines in Note 8 – Property, Plant and Equipment
** These figures match to the additions lines in Note 9 – Heritage Assets
*** These figures match to the additions lines in Note 11 – Intangible Assets

34 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	
	2014/15 £'000	**2015/16 £'000**
Hire of plant and machinery	1,341	669
Land and buildings	1,418	1,199
Total	**2,759**	**1,868**

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
	2014/15		2015/16	
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	1,418	643	1,094	159
Between 1 and 5 years	4,763	235	3,421	82
After 5 years	9,419	0	8,643	0
Total	**15,600**	**878**	**13,158**	**241**

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 arrangement 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 2015 £'000	31st March 2016 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	5	5
Non-Current	4,819	4,814
Finance Income	15,974	15,755
Gross investment in the lease	**20,798**	**20,574**

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 2015 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'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	19,682	19,458	19,682	19,458
Total	**20,798**	**20,574**	**20,798**	**20,574**

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	
	2014/15 £'000	**2015/16 £'000**
Operating leases which expire:		
Within 1 year	1,578	1,365
Between 1 and 5 years	3,699	3,871
After 5 years	35,661	22,990
Total	**40,938**	**28,226**

35 Private Finance Initiatives 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 elements of the payment are inflated by RPIX each year. The contractor payments began in December 2008 with actual payments of £6.308m in 2015/16 (£6.275m in 2014/15). 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 have 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 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. The 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, will 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 RPI-X figure. The PFI asset and liability are to be shared 30% Barnsley, 40% Doncaster, and 30% Rotherham. This is considered a reasonable basis as it corresponds to each Councils 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 Authority'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 8.

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 2016 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	874	3,635	3,808	6,349	3,289	0	**17,955**
Mexborough Science College	892	3,708	3,885	6,476	3,354	0	**18,315**
Waste Management PFI	327	815	1,338	2,498	4,928	8,116	**18,022**
Total	**2,093**	**8,158**	**9,031**	**15,323**	**11,571**	**8,116**	**54,292**

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	700	2,466	2,340	1,413	215	0	**7,134**
Mexborough Science College	714	2,515	2,387	1,442	219	0	**7,277**
Waste Management PFI	2,481	9,575	11,328	9,951	7,339	2,699	**43,373**
Total	**3,895**	**14,556**	**16,055**	**12,806**	**7,773**	**2,699**	**57,784**

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	1,583	6,910	11,046	10,593	6,819	0	**36,951**
Mexborough Science College	1,615	7,049	11,267	10,805	6,955	0	**37,691**
Waste Management PFI	6,275	27,635	39,022	44,826	52,916	52,025	**222,699**
Total	**9,473**	**41,594**	**61,335**	**66,224**	**66,690**	**52,025**	**297,341**

36 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. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees so for the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council's contribution to the Department for Children, Schools and Families in respect of teachers' retirement benefits was £6.25m (£5.87m in 2014/15), which represents 16.5% of teachers' pensionable pay (14.1% in 2014/15). In addition a further sum of £3.35m (£3.36m in 2014/15) 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 so for the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council's contribution to Public Health staff in respect of retirement benefits was £0.15m (£0.17m in 2014/15) which represents 14.3% of related pensionable pay.

37 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. The charge we are 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 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 and Doncaster Children's Services Trust which became operational on 1st October 2014 to provide children's services on behalf of the Council.

Local Government Pension Scheme	2014/15 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
Current service cost	20,883	26,504
Past service costs	445	487
(gains)/loss from settlements	(3,415)	1,266
SLHD pre-transfer net pension liability	4,988	(2,287)
DCST pre-transfer net pension liability	0	3,163
Financing and Investment Income and Expenditure		
Net Interest expense	11,886	12,213
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**34,787**	**41,346**
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)	(74,074)	21,322
Actuarial gains and losses arising on changes in financial assumptions	182,204	(72,731)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**108,130**	**(51,409)**
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	(6,159)	(13,286)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	28,628	28,060

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	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	(1,326,086)	(1,314,460)
Fair value of plan assets	937,946	953,238
Net Liability arising from defined benefit obligation	**(388,140)**	**(361,222)**

Reconciliation of the Movement in the Fair Value of Scheme (Plan Assets)

Local Government Pension Scheme	2014/15 £'000	2015/16 £'000
Opening fair value of scheme assets	**844,246**	**937,946**
Interest Income	35,771	29,441
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	74,074	(21,322)
- Other - Admin Expenses & Settlements	(28,434)	(437)
Contribution from employer	51,038	16,855
Contributions from employees into the scheme	7,010	6,901
Benefits paid	(37,308)	(38,380)
Closing balance at 31st March	**946,397**	**931,004**
Movement in SLHD plan assets pre-transfer	(8,451)	(3,059)
Movement in DCST plan assets pre-transfer	0	25,293
Closing balance at 31st March	**937,946**	**953,238**

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

Local Government Pension Scheme	**2014/15 £'000**	**2015/16 £'000**
Opening balance at 1st April	(1,140,507)	(1,326,086)
Current service cost	(20,883)	(26,504)
Interest cost	(47,657)	(41,654)
Contributions from scheme participants	(7,010)	(6,901)
Remeasurement (gains) and losses		
- Actuarial gains/losses arising from changes in financial assumptions	(182,204)	72,731
Past service cost	0	(50)
Losses/(gains) on curtailments	(948)	(1,266)
Benefits paid	37,308	38,380
Liabilities extinguished on settlement	32,352	0
Movement in SLHD scheme liabilities pre-transfer	3,463	5,346
Movement in DCST scheme liabilities pre-transfer	0	(28,456)
Closing balance at 31st March	**(1,326,086)**	**(1,314,460)**

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. Over the next financial year, the pension reserve (note 20d, £372.427m) and the net pension liability (£361.222m) will be brought into line as the prepayment arrangements are accounted for in 2016/17.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2014/15	**2015/16**
	£'000	**£'000**
Cash and cash equivalents	15,288	16,694
Equity Instruments:		
UK quoted	181,024	172,030
Overseas quoted	377,523	377,406
Bonds		
UK Government fixed	7,222	564
UK Government indexed	112,554	114,188
Overseas Government fixed	23,918	25,882
UK other	48,305	47,137
Overseas other	6,002	12,874
Property		
UK Direct	88,261	96,646
Property Funds	14,069	14,790
Alternatives		
Pooled Investment Vehicles	63,780	75,027
Total	**937,946**	**953,238**

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 1 April 2016.

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	23.0
25.6	Women	25.7
	Longevity at 65 for future pensioners	
25.3	Men	25.4
28.4	Women	28.5
2.0%	Rate of inflation	2.0%
3.75%	Rate of increase in salaries	3.75%
2.0%	Rate of increase in pensions	2.0%
3.3%	Rate for discounting scheme liabilities	3.6%

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	**Decrease in Assumption**
	£'000	**£'000**
Longevity (increase or decrease in 1 year)	25,329	(25,329)
Rate of inflation (increase or decrease by 0.1%)	25,436	(25,436)
Rate of salaries (increase or decrease by 0.1%)	6,023	(6,023)
Rate of pensions (increase or decrease by 0.1%)	25,436	(25,436)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(24,951)	24,951

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 21 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

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 £16.053m expected contributions to the scheme in 2016/17. The estimated weighted average duration of the defined benefit obligation for scheme members is 19 years.

West Yorkshire Superannuation Fund
Payments in 2015/16 totalling £0.059m (£0.058m in 2014/15) 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.

38 Contingent Liabilities

St Leger Homes of Doncaster Ltd and 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 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 and Doncaster Children's Services Trust which became operational on 1st October 2014 to provide children's services on behalf of the Council. The element relating to the pension liability prior to the transfers is included in the Council's own accounts. The actuary has assessed the post transfer deficits at £11.828m and £1.054m respectively as at 31st March 2016. The Council considers it unlikely that these guarantees will be exercised so they are disclosed as a contingent liability in the Council's own accounts.

Doncaster Culture & Leisure Trust (DCLT) Pension Liability
The Council provides the third party guarantee for the DCLT pension deficit liability. The actuary has assessed this deficit to be in the order of at £3.0m as at 31st March 2016. 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.

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 claw back 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 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 £1.795m. This contingent liability covers the remaining claims up to 100% (£5.881m).

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 owned by a third party. The administrator has advised that contractually the ownership of the material has now been passed onto the site owner. Doncaster Council served a planning enforcement notice on the site owner 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 site owner 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 itself. If this is the case, the cost of removing and disposing of the material may not be insignificant and the likelihood of fully recovering the costs from the site owners is still to be verified. 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. The Council is in the process of considering the most appropriate course of further action which will seek to mitigate the level of risk.

39 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 2015/16.

40 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.

41 Deferred Liabilities

These liabilities totalling £60.501m (£46.198m at 31st March 2015) are payable in a period exceeding 12 months and include the following: -

a) £8.302m (£9.928m at 31st March 2015) 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) £52.199m (£36.270m at 31st March 2015) relating to PFI schemes' long term liabilities as disclosed in Note 12 and 35.

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 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.

2014/15		Notes	2015/16	
£'000			£'000	£'000
	Expenditure			
10,233	Repairs and maintenance		9,719	
23,499	Supervision and management		21,478	
1,051	Rents, rates, taxes and other charges		915	
	Depreciation of Property, Plant & Equipment	8		
20,100	On dwellings		20,751	
554	On other assets		780	
(5,880)	Impairment of Property, Plant & Equipment	9	2,507	
16	Debt management costs		6	
673	Increased provision for bad or doubtful debts		317	
50,246				**56,473**
	Income			
(72,935)	Dwelling rents (gross)		(74,870)	
(813)	Non-dwelling rents (gross)		(819)	
(860)	Charges for services and facilities		(327)	
(39)	Contributions towards expenditure		(664)	
(74,647)				**(76,680)**
(24,401)	**Net cost of HRA Services as included in the whole authority Income and Expenditure Account**			**(20,207)**
712	HRA share of Corporate and Democratic Core			760
(23,689)	**Net Cost of HRA Services**			**(19,447)**
	HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account			
19,390	(Gain) or Loss on sale of HRA Property, Plant & Equipment			12,647
11,746	Interest payable and similar charges			11,778
(110)	Interest receivable and similar income			(95)
(1,339)	Capital Grants and Contributions			(1,037)
5,998	**(Surplus) or Deficit for the year on HRA services**			**3,846**

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.

2014/15		Notes	2015/16	
£'000			£'000	£'000
(5,929)	**Balances on the HRA at the end of the previous year**			**(6,127)**
5,998	(Surplus) or deficit for the year on the HRA Income and Expenditure statement		3,846	
(6,196)	Adjustments between accounting basis and funding basis statute		(4,579)	
(198)	(Increase) or decrease in year on the HRA			**(733)**
(6,127)	**Balance on the HRA at the end of the current year**			**(6,860)**

Notes to the Housing Revenue Account

1 The number and type of dwellings in the Council's housing stock

31st March 2015		31st March 2016
16,675	Houses and bungalows	16,629
2,428	Low-rise flats and maisonettes	2,410
1,405	Medium and high-rise flats	1,401
20,508	**Total**	**20,440**

2 Major Repairs Reserve (MRR)

2014/15 £'000		2015/16 £'000
(21,187)	Balance as at 1st April	(11,128)
(554)	Transfer Depreciation Non Dwellings to MRR	(780)
(20,100)	Transfer Depreciation Dwellings to MRR	(20,751)
30,713	Financing of capital expenditure	29,098
(11,128)	**Balance as at 31st March**	**(3,561)**

3 Rent arrears, excluding amounts collectable on behalf of other agencies

31st March 2015 £'000		31st March 2016 £'000
1,472	Former Tenants Rent Arrears	1,271
2,256	Current Tenants Rent Arrears	1,968
3,728	**Total**	**3,239**

The bad debt provision in respect of all un-collectable rent arrears was £1,737,002 (£2,036,352 in 2014/15). The aggregate balance sheet provision in respect of all un-collectable debts relating to the Housing Revenue Account was £1,925,955 (£2,481,929 in 2014/15).

4 Movement of Property, Plant & Equipment

2014/15 Total £'000		Council Dwellings £'000	Other Operational Land & Buildings £'000	Other Property, Plant & Equipment £'000	2015/16 Total £'000
	Cost or Valuation				
523,732	**At 1st April 2015**	**509,735**	**11,664**	**13,541**	**534,940**
48,091	Additions	34,636	838	7,722	**43,196**
(16,466)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,905)	1,131	(489)	**(14,263)**
3,170	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,213)	136	(300)	**(7,377)**
(3,250)	De-recognition – disposals	(3,075)	0	(2,952)	**(6,027)**
(20,672)	De-recognition – other	(10,461)	(59)	(974)	**(11,494)**
(150)	Assets reclassified (to)/from Held for Sale	0	0	0	**0**
485	Reclassifications within PPE	203	(579)	164	**(212)**
534,940	**At 31st March 2016**	**508,920**	**13,131**	**16,712**	**538,763**
	Accumulated Depreciation and Impairment				
(22,084)	**At 1st April 2015**	**(21,123)**	**(1,299)**	**(919)**	**(23,341)**
(20,654)	Depreciation charge	(20,751)	(500)	(280)	**(21,531)**
16,671	Depreciation & Impairment written out to the Revaluation Reserve	14,955	807	8	**15,770**
3,756	Depreciation & Impairment written out to the Surplus/Deficit on the Provision of Services	6,168	0	0	**6,168**
(1,044)	impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(852)	(504)	0	**(1,356)**
14	De-recognition – other	0	0	0	**0**
12	Assets reclassified (to)/from Held for Sale	0	0	0	**0**
(12)	Reclassifications within PPE	(5)	20	(6)	**9**
(23,341)	**At 31st March 2016**	**(21,608)**	**(1,476)**	**(1,197)**	**(24,281)**
511,599	**Net Book Value as at 31st March 2016**	**487,312**	**11,655**	**15,515**	**514,482**

5 Vacant possession value of dwellings

The vacant possession value of dwellings within the HRA following annual revaluation as at 1st April 2015 was £1.544 billion. A difference arises between the vacant possession valuation £1.544 billion and the valuation used for balance sheet purposes of £479 million because the latter represents the social housing value of tenanted dwellings. The difference £1.065 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.

2014/15 £'000		2015/16 £'000
	Capital expenditure per asset classification:	
46,095	Council Dwellings	34,636
40	Other operational Land and Buildings	838
1,597	Vehicles Plant and equipment	3,847
359	Infrastructure	0
0	Assets Under Construction	3,875
0	Intangible Assets	65
48,091		**43,261**
	Sources of funding:	
(29)	Useable Capital Receipts	(32)
(1,239)	Capital Grants and Contributions	(1,309)
(30,713)	Major Repairs Reserve	(29,075)
(5,934)	Direct revenue financing	(9,172)
(10,176)	Unsupported borrowing	(3,673)
(48,091)		**(43,261)**

7 Capital receipts from the disposals of land, houses and other property within the HRA

2014/15 £'000		2015/16 £'000
4,431	Houses (Council Dwellings)	4,775
224	Land	95
4,655	**Total**	**4,870**

8 Depreciation charged to the HRA

2014/15 £'000		2015/16 £'000
20,100	Council Dwellings	20,751
380	Other Land and Buildings	500
174	Other PPE	280
20,654		**21,531**

9 Impairment charge to HRA.

2014/15 £'000		2015/16 £'000
5,250	Revaluation Loss on Council Dwellings	9,622
74	Revaluation Loss relating to non-Council Dwelling Assets	882
364	Impairment due to Council Dwelling demolition in year and proposed future	308
658	Consumption of Economic Benefit re Council Dwellings	484
(12,226)	Reversal of previous impairment loss re Council Dwellings	(8,789)
(5,880)		**2,507**

10 Revenue Expenditure Funded from Capital Under Statute

In 2015/16 and 2014/15 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). 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

2014/15 £'000		Notes	2015/16 £'000
	Amounts required by statute to be credited to the collection fund		
(104,533)	Council Tax (showing the amount receivable, net of benefits discounts for prompt payments and transitional relief)	1	(108,767)
(92,362)	NNDR (showing the amount receivable, net of discretionary and mandatory reliefs)	2	(96,006)
(3,116)	Contributions towards previous year's Collection Fund deficit - NNDR		(2,381)
(200,011)	**Total Income**		**(207,154)**
	Amounts required by statute to be debited to the collection fund		
	Precepts and demands from major preceptors and the authority – Council Tax	3	
85,215	- Doncaster Council		88,602
10,793	- South Yorkshire Police Authority		11,220
4,830	- South Yorkshire Fire and Rescue Authority		5,022
	Shares of non-domestic rating income to major preceptors and the (billing) authority – NNDR		
44,271	- Doncaster Council		45,789
903	- South Yorkshire Fire and Rescue Authority		934
45,174	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central Government by billing authorities		46,723
757	Transitional protection payments NNDR		680
	Impairment of debts/appeals for Council tax		
374	- Write-offs of uncollectable amounts		563
551	- Allowance for impairment		466
	Impairment of debts/appeals for NNDR		
1,151	- Write-offs of uncollectable amounts		2,381
3,641	- Allowance for impairment		(1,620)
370	Charge to General fund for allowable collection costs for NNDR		374
2,968	Contributions towards previous years Collection Fund surplus for Council Tax		2,968

2014/15		Notes	2015/16
200,998	**Total Expenditure**		**204,102**
	Opening fund balance		
(6,359)	- Council Tax		(6,160)
3,326	- NNDR		4,114
	Closing fund balance		
(6,160)	- Council Tax		(6,085)
4,114	- NNDR		989
	Movement on fund balance		
199	- Council Tax		75
788	- NNDR		(3,125)
	Accumulated (surplus)/deficit of the collection fund (Council Tax) is attributable to the following:		
(5,197)	- Doncaster Council		(5,134)
(664)	- South Yorkshire Police Authority		(656)
(299)	- South Yorkshire Fire and Rescue Authority		(295)
(6,160)			**(6,085)**
	Accumulated (surplus)/deficit of the collection fund (NNDR) is attributable to the following:		
2,016	- Doncaster Council		485
2,057	- Central Government		494
41	- South Yorkshire Fire and Rescue Authority		10
4,114			**989**

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 Local Tax Support, Exemptions, Discounts & Other Changes	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwelling	Council Tax 2015/16 (Excluding Parishes) £
A	79,264	(27,544)	51,720	6/9	34,480	£906.37
B	23,651	(3,616)	20,035	7/9	15,583	£1,057.47
C	14,319	(1,748)	12,571	8/9	11,174	£1,208.51
D	8,661	(654)	8,007	1	8,007	£1,359.57
E	4,197	(287)	3,910	11/9	4,779	£1,661.69
F	1,854	(60)	1,794	13/9	2,591	£1,963.83
G	825	(24)	801	15/9	1,335	£2,265.94
H	122	(61)	61	18/9	122	£2,719.14
Total	**132,893**	**(33,994)**	**98,899**		**78,071**	
Less allowance for non-collection					(2,342)	
Tax base for the calculation of Council Tax					**75,729**	

Reconciliation of Council Tax income to the tax base

2014/15		**2015/16**
76,564	No of Band D properties	78,071
£1,333.56	Band D rate	£1,359.57
£1,799,109	Parish Precepts	£1,885,611
£'000		**£'000**
(103,902)	Estimated Income	(108,029)
(631)	In year changes	(738)
(104,533)	Income	(108,767)

The in year changes in 2015/16 are due to an increase in the number of band D properties to 76,220, compared with 75,729 used in the calculation of the budget. This is mainly attributable to 698 fewer Local Council Tax Scheme discounts being awarded and lower than expected growth of 207 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 2015/16 the Standard Rate was 49.3p (48.2p in 2014/15) and the Small Business Rate was 48.0p (47.1p in 2014/15).

Since 1st April 2013 and the introduction of the Local Government Finance Act 2012, NNDR are shared between central and local Government. 50% of local NNDR 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 NNDR model calculates the difference between each Council's individual NNDR 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 NNDR. 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 £26.972m, which represents the difference between our individual business rate baseline funding level of £42.339m and the calculated baseline level of £69.312m.

The NNDR collectable after reliefs and provisions was £96.0m in 2015/16 (£92.4m in 2014/15) and was based on a rateable value for the Council's area of £233,555,877 as at 30th March 2016 (£229,111,327 as at 28th March 2015). 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.

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 *	86,717	75,729	1,145.09
S Y Police Authority	11,220	75,729	148.16
S Y Fire and Rescue Authority	5,022	75,729	66.32
Total	**102,959**		**1,359.57**
* Excludes Parish Precepts of £1,855,611			

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 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

External Audit Report 2015/16

Doncaster Metropolitan Borough Council

—

DRAFT 4 August 2016

Contents

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This report is addressed to 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: Introduction

Introduction

This document summarises:

— **The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and**

— **Our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

— Our audit work at Doncaster MBC ('the Authority') in relation to the Authority's 2015/16 financial statements; and

— The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015/16*, presented to you in January 2016, set out the four stages of our financial statements audit process.

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the third stage of the process: substantive procedure. Our on site work for this part of the process took place during July 2016.

It also includes any additional findings in respect of our control evaluation which we have identified.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

— Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;

— Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and

— Carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

— Section 2 summarises the headline messages.

— Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the fund.

— Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations.

Acknowledgements

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

Section two: Headlines

Headlines

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has identified a small number of presentational audit adjustments. These have been discussed with management and the financial statements have been amended for all of them. One specific area that has been adjusted for relates to the appropriate disclosure of the new Salix Loan (£2,646k) in Note 12 of the financial statements under the 'fair values of assets and liabilities'. This had been recognised appropriately within borrowings and therefore does not impact on the balance sheet of the Authority. There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This PFI came into use during the year that the financial statements are reporting on. Once assets have been recognised (as they come into use), 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 has taken place and therefore there is a risk that the value of the asset may be misstated. The proportion of the asset that relates to Doncaster MBC (40%) is currently valued on the balance sheet at £25.9m. We have a materiality level of £15m and therefore we are confident that the value of the asset is not currently materially misstated, through discussions with valuation experts and our knowledge of this type of asset. However we recommend that this is revalued at the earliest opportunity and recognised at it's up to date value in the 2016/17 financial statements. We have included a full list of audit adjustments at Appendix two. All of these were adjusted by the Authority apart from the audit difference identified in relation to the Waste Management PFI Contract. We have raised one medium priority recommendation (revaluation of Waste Management asset) and four low priority recommendations in relation to our audit testing, which are summarised in Appendix one.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority during 2015/16 with respect to the financial statements.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

This table summarises the headline messages. The remainder of this report provides further details on each area.

Accounts production and audit process	We received complete draft accounts by 30 June 2016 in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code. The Authority has implemented the recommendation in our *ISA 260 Report 2014/15* relating to the financial statements. The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. As in previous years, we will debrief with the Finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particularly we would like to thank Authority Officers who were available throughout the audit visit to answer our queries.
VFM conclusion and risk areas	We did not identify an specific VFM risks in our External audit plan 2015/16 issued in January 2016. The Authority has produced a detailed self-assessment, against the areas identified in the NAO guidance, to demonstrate the arrangements that the Authority has put in place to achieve value for money. This self-assessment provides a highly comprehensive view on how the Authority has implemented processes and procedures to achieve value for money. We have worked with officers throughout the year to discuss this self-assessment and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work. 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 VFM conclusion by 30 September 2015.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is complete subject to completion of the following areas: — Review of non-pay expenditure — Sample testing of journal entries — Conclusion on the accounting treatment of the Waste Management PFI Contract. You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Section 151 Officer on 4 August 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking management to provide specific representations on the following: — the value of the Waste Management asset. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Section three: Financial Statements

Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

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Proposed audit opinion

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

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 two for more information on materiality) level for this year's audit was set at £15 million. Audit differences below £750k are not considered significant.

We did not identify any material misstatements. We identified a number of minor issues that have been adjusted by management as they do not have a material effect on the financial statements. One specific area that has been adjusted for relates to the appropriate disclosure of the new Salix Loan (£2,646k) in Note 12 of the financial statements under the 'fair values of assets and liabilities'. This had been recognised appropriately within borrowings and therefore does not impact on the balance sheet of the Authority.

There is no impact on the General Fund and HRA as a result of these minor audit adjustments as they related to disclosure only.

There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This PFI came into use during the year that the financial statements are reporting on. Once assets have been recognised (as they come into use), 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 has taken place and therefore there is a risk that the value of the asset may be misstated. The proportion of the asset that relates to Doncaster MBC (40%) is currently valued on the balance sheet at £25.9m. We have a materiality level of £15m and therefore we are confident that the value of the asset is not currently materially misstated, through discussions with valuation experts and our knowledge of this type of asset. However we recommend that this is revalued at the earliest opportunity and recognised at it's up to date value in the 2016/17 financial statements.

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 2015/16 ('the Code').

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

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

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

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

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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 2015/16 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.

Other areas of focus

In our External Audit Plan 2015/16, presented to you in January 2015, we identified one area of audit focus. This is not considered as a significant risk but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for this area of audit focus.

Area of focus 1

Area of Audit Focus – Minimum Revenue Provision

— Area

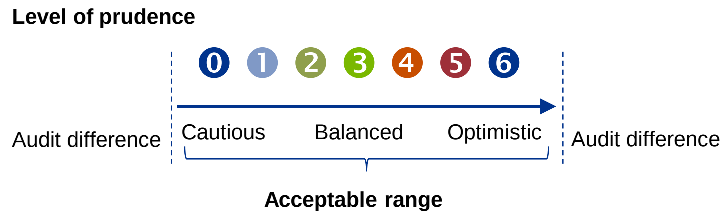
In 2015/16 the Authority have proposed a change in the methodology used to calculate their Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as a provision for this debt.

— Findings

We have considered the proposed new methodology and have substantively tested the accounting entries during the audit of the financial statements. We have not identified any issues as a result of these procedures.

Judgements

We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	**15/16**	**14/15**	**Balance (£m)**	**KPMG comment**
Property, Plant and Equipment valuations	3	3	£1,538 million *(PY: £1,475 million)*	Council dwellings (with a valuation of £509m) have been valued by the District Valuer during the year. We have performed procedures to understand whether the assumptions applied by the District Valuer are in line with our expectations. We did not identify any issues and therefore conclude that this is a balanced judgement. During the year the Authority has continued to value it's 'other land and building' assets (with a valuation of £618m) on a 5 year rotational basis. The increase in the asset values are in line with our expectations and therefore we have concluded this to be a balanced judgement.
Actuarial gains/losses on pension assets/liabilities	3	3	-£51.4 million *(PY: £108.1 million)*	We have reviewed the assumptions used and have not found any outliers to our expected ranges. We have therefore concluded that this is a balanced judgement.

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Accounts production and audit process

We have noted that the quality of the accounts and the supporting working papers were of a high quality

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented the recommendation in our ISA 260 Report 2014/15.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about 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.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has continued to demonstrate that it has a strong financial reporting process despite the reduced year end timeframe. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts in advance of the 30 June deadline. The Authority made a number of amendments of a presentational nature after this date but prior to the start of the audit.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued and discussed with the Finance Team, set out our working paper requirements for the audit. The quality of working papers provided was good and met standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved audit queries in a reasonable time.

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 the recommendation in our *ISA 260 Report 2014/15*.

Appendix one provides further details.

Completion

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

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

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

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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 2016, 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 four 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 Council for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

— Significant difficulties encountered during the audit;

— Significant matters arising from the audit that were discussed, or subject to correspondence with management;

— Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and

— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2015/16 financial statements.

Section four: Value for Money

VFM Conclusion

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.

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.

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Background

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.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.

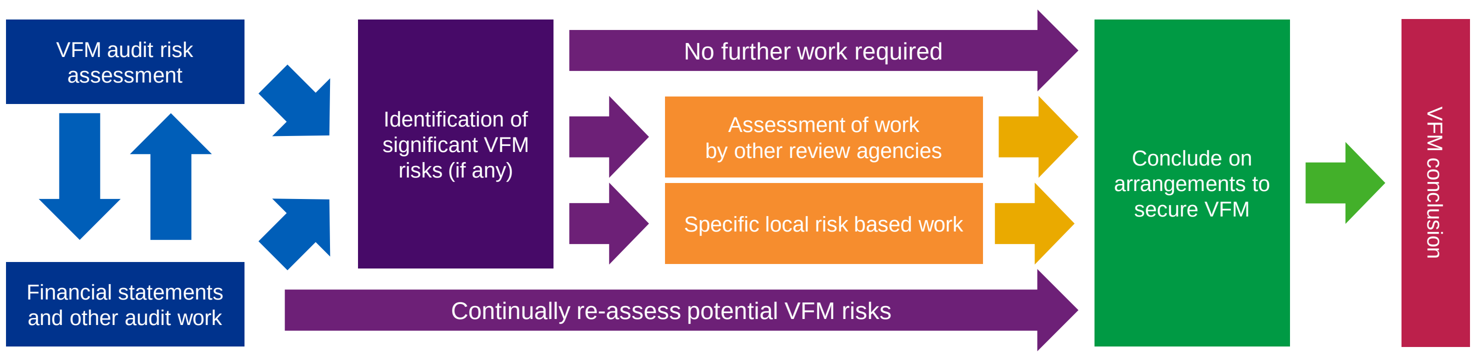
Conclusion

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.

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making	Sustainable resource deployment	Working with partners and third parties
✓ Met	✓ Met	✓ Met



Specific VFM Risks

We have not identified any specific VFM risks.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

We concluded that we did not need to carry out any additional work as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas. In particular the Authority produced a detailed self-assessment which described the arrangements that have been put in place to secure value for money in the delivery of services.

Appendices

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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Priority rating for recommendations					
❶	***Priority one***: 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.	❷	***Priority two***: 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.	❸	***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	❷	**Valuation of Waste Management Asset** There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This 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 has taken place and therefore there is a risk that the value of the asset may be misstated. **Recommendation** We recommend that this asset is revalued at the earliest opportunity and recognised at it's up to date value in the 2016/17 financial statements in line with the requirements of the code.	

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	❸	**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.	
3	❸	**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.	

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response/responsible officer/due date
4	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.	
5	3	**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.	

Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2014/15*.

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This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014/15 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	-

No.	Risk	Issue and recommendation	Status as at August 2016
1	❸	**IR35 Assessments** Our audit identified a potential issue relating to the completion of IR35 assessments for temporary staff. Internal Audit are currently carrying out a review of this area. **Recommendation** The Authority should ensure that the Internal Audit review of IR35 compliance is completed.	An Internal Audit Report was completed to investigate this further: ‘Review of Consultancy Payments – Compliance with IR35’, which was issued on the 28 June 2016. This provided partial assurance that the Council is paying consultants in compliance with HMRC rules as HMRC guidelines (IR35). This is due to the questionable assessments that have taken place for the 4 individuals outlined within the report. An improvement plan is included within the report and will be followed up through the normal Internal Audit processes. **Completed**

Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund and HRA as a result of the amendments.

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

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Material misstatements

We are pleased to report that there are no material misstatements.

Non material audit differences

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them. One specific area that has been adjusted for relates to the appropriate disclosure of the new Salix Loan (£2,646k) in Note 12 of the financial statements under the 'fair values of assets and liabilities'. This had been recognised appropriately within borrowings and therefore does not impact on the balance sheet of the Authority.

There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This PFI came into use during the year that the financial statements are reporting on. Once assets have been recognised (as they come into use), 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 has taken place and therefore there is a risk that the value of the asset may be misstated. The proportion of the asset that relates to Doncaster MBC (40%) is currently valued on the balance sheet at £25.9m. We have a materiality level of £15m and therefore we are confident that the value of the asset is not currently materially misstated, through discussions with valuation experts and our knowledge of this type of asset. However we recommend that this is revalued at the earliest opportunity and recognised at it's up to date value in the 2016/17 financial statements.

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Materiality and reporting of audit differences

For 2015/16 our materiality is £15million for the Authority's accounts.

We have reported all audit differences over £11,250k for the Authority's accounts.

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Materiality

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

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

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

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

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in January 2016.

Materiality for the Authority's accounts was set at £15 million which equates to around 2% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

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

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £750k 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.

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Requirements

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.

Declaration of independence and objectivity (cont.)

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

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General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the financial year ending 31 March 2016, 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 Independence

Audit Fees

Our scale fee for the audit was £164,844 plus VAT (£164,844 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in January 2016. Our scale fee for certification for the HBCOUNT was £25,035 plus VAT (£33,380 in 2014/15). Fees for other grants and claims have not yet been finalised however we expect this to be in the region of £10,000 plus VAT in line with the prior year.

Non-audit services

We have not been engaged to provide any other non-audit services during the year.

kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG LLP is multi-disciplinary practice authorised and regulated by the Solicitors Regulation Authority. For full details of our professional regulation please refer to ‘Regulatory Information’ at www.kpmg.com/uk

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Doncaster
Metropolitan Borough Council

Clare Partridge
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

17th August 2016

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 31st March 2016, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31st March 2016 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 201/16.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

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

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

Financial Statements

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

   - give a true and fair view of the financial position of the Authority as at 31st March 2016 and of the Authority's expenditure and income for the year then ended;

   - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16; and

   - the financial statements have been prepared on a going concern basis.

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

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

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:

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

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

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

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

      a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
         - management;
         - employees who have significant roles in internal control; or
         - others where the fraud could have a material effect on the financial statements; and

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

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

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

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

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

11. The Authority confirms that:

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

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

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

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
       - statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - funded or unfunded; and
       - approved or unapproved,

       have been identified and properly accounted for; and

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

13. The Authority confirms that they have made appropriate enquiries and are satisfied that the value of the new Waste Management Contract PFI asset is not materially misstated in the Authority's Balance Sheet.

This letter was tabled and agreed at the meeting of the Audit Committee on 17th August 2016.

Yours sincerely,

Chair of the Audit Committee **Chief Financial Officer**

Doncaster Metropolitan Borough Council
Civic Office, Waterdale, Doncaster. DN1 3BU

Appendix A to the Authority Representation Letter of Doncaster MBC: Definitions

Financial Statements

A complete set of financial statements comprises:

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

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. Doncaster has not completed Group accounts as they are not considered material.

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.

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).

Key management personnel 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

17th August 2016

To the Chair and Members of the

AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2016 to JULY 2016

EXECUTIVE SUMMARY

1. The report attached at Appendix 1 updates the Audit Committee on the work done by Internal Audit for the period April 2016 to July 2016, and shows this in the context of the audit plan for the year. The report also includes performance information and details on the implementation of internal audit recommendations.
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. There are three minor amendments to the audit plan included in this section of the report.

Section 2: Audit Work Undertaken During the Period

Planned Audit Work Completed

5. Our planned audit work continues to confirm the Council generally has appropriate controls in place and that the controls are operating effectively.
6. During the period, most of our work provided reasonable levels of assurance about the existence and operation of controls under review. We mostly provided ‘partial’ or ‘substantial’ assurance opinions. There were four audits completed in the period where we gave ‘limited assurance’ opinions:
   a. Debtors and Income Management - where improvements are required in terms of setting targets and monitoring progress against them.
   b. Direct Payments for Adults - this audit identified high numbers and values of overpayments of direct payments and a lack of monitoring and management, systems weaknesses and a lack of recovery actions.

c. Markets Financial Administration Review – this identified considerable improvements from the previous year while identifying outstanding actions still to be completed.

d. Compliance with eligibility criteria for European Structural Funds - the audit identified a lack of corporate instructions, guidance and support for project officers planning to use or using European Structural grant funding, which would help confirm the Council could ensure and demonstrate compliance with eligibility criteria when subject to any external audit.

Unplanned responsive work carried out in the period

7. Responsive work is difficult to predict but highly valued by managers who ask for Internal Audit's assistance in dealing with a wide range of issues. Time spent on responsive / investigative work is currently running at the level anticipated and budgeted for in the audit plan.

8. We are currently undertaking a major review of issues arising in the Safeguarding Adults Personal Assets Team (referred to elsewhere on the Audit Committee agenda) and a review of a high value project undertaken on behalf of the Doncaster East Drainage Board. Further examples of work done under this heading are included within the report.

Section 3: Progress on the implementation of audit recommendations

9. There are 9 overdue major recommendations across the Council. There is a sound process in place for ensuring the implementation of major audit recommendations, which keeps the number of outstanding recommendations to a minimum number.

10. Internal Audit is now also proactively tracking and reporting on the number of other (non-major) recommendations outstanding. There are 36 overdue lower level recommendations as at July 2016. We are working closely with management in all directorates to reduce the number of overdue actions they have.

Section 4: Performance Information

11. The overall performance of the audit service continues to be good.

12. Performance against the Internal Audit's key indicators is above or exceeding target. 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.

RECOMMENDATIONS

13. **The Audit Committee is asked:**

    a. **To note the changes to the original audit plan.**

    b. **To note the internal audit work completed in the period**

    c. **To note progress made by officers in implementing previous audit recommendations**

    d. **To note information relating to Internal Audit's performance in the period**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

14. 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

15. 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

16. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

17. 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*	
	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

18. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

19. 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

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

HUMAN RESOURCE IMPLICATIONS

21. There are no specific human resource implications associated with this report.

TECHNOLOGY IMPLICATIONS

22. There are no specific technology implications associated with this report.

EQUALITY IMPLICATIONS

23. 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 identified within this progress report would have been subject to their own relevant equalities implications assessment.

CONSULTATION

24. 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.

BACKGROUND PAPERS

25. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses

REPORT AUTHOR & CONTRIBUTORS

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Tel 01302 862939 E-mail - colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit

Appendices AttachedAppendix 1 - Internal Audit Progress Report to 31 July 2016

Appendix 1

Doncaster Council

Internal Audit Progress Report

To 31st July, 2016

Section 1: Revisions to the Audit Plan

1.1. The 2016/17 Audit Plan was approved by the Audit Committee on 7th April 2016. As the audit year progresses, the plan is reviewed to take into account new and emerging risks and any responsive work arising. Accordingly some changes have been identified to the previously approved plan and these are set out below:

The following job has been cancelled:

- **Services Transferring to the Children's Trust** – Cancelled due to Management not no longer requiring support from the Audit Team.

The following jobs have been added to the plan:

- **Social Care Capital Grant Determination –** this is a new grant which there was no awareness of at the time of the audit planning process
- **Bus Services Operators Fuel Grant –** a change in criteria means this grant claim requires verification by Internal Audit

Section 2: Audit Work Undertaken During the Period

Internal Audit Opinion

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 Council's control environment. A 'limited' opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified in the area. Rarely, a "no assurance" opinion is given where the area under review is considered to be fundamentally exposed to critical risks.

Summary of Findings from Audit Reviews

2.2 Summary conclusions on all significant audit work to 31st July 2016 are set out in **Appendix A**.

Audits providing "limited" opinions

2.3 Our work concluded that the control environment was inadequate in 4 areas, leading to the issuing of limited assurance opinions in these 4 areas, as detailed below:

Directorate / Audit Area	Report to Management.	Summary of Significant Issues
Finance and Corporate Services: Debtors and Income Management	22/06/16	Good progress is being made on reducing overall debt, but there is still a lack of sufficient management information, such as relating to collection and recovery rate targets, to be able to determine if performance is satisfactory. Without meaningful performance monitoring, it is not possible to assess how well the accounts receivable arrangements are working. Additionally, departmental Managers may not be fully aware of any issues caused by their departments and further necessary training requirements may not be identified.

		The E5 system allows new customers to be added without approval, which means duplicate duplicate accounts can be established, making collection and recovery processes inefficient and potentially ineffective.
Adults, Health and Wellbeing: Overpayment Review of Direct Payments	16/03/16	Issues identified included: • High numbers and values of overpayments of direct payments • A lack of monitoring and management of overpayments • Weaknesses in the systems to pay, and monitor the payments and recover overpayments • Lack of joined up working between the various parties involved in this area.
Regeneration and Environment: Markets Financial Administration Review	03/06/16	This was reported in detail at June Audit Committee Considerable progress was noted from the previous year's report which resulted in a "no assurance" opinion. Key / issues remaining were: • To implement a new markets management system to manage market tenancies and stall rent arrears, and • Further work is required to ensure that a comprehensive and robust recovery policy is in place and is enforced.
Corporate / Council Wide: Ensuring Compliance with European Structural Fund Grant criteria	09/03/16	All European Structural Fund Grant received by the Council is subject to external audits carried out by either the Department for Communities and Local Government or the European Commission. Recent audits have identified non compliances relating to procurement practices adopted by DMBC. This has resulted in claims being sought as clawback from DMBC. The audit identified a lack of corporate instructions, guidance and support for project officers planning to use or using European Structural Funds.

Responsive Audit Work and Investigations

2.4 In addition to our assurance work, we also investigate allegations of fraud, corruption or other irregularity and respond to requests for assistance from the various services and functions in the Council. A summary of the more significant pieces of work that have been completed in the period is provided at **Appendix C** with the major areas being our work with the Safeguarding Adults Personal Assets Team and Internal Drainage Boards.

Section 3: Implementation of Audit Recommendations

3.1 Following the completion of audit work, draft reports are discussed with management to obtain their comments and confirm the factual accuracy of the report and their agreement to the implementation of recommendations. This results in the production of an Improvement Plan, containing details of implementation dates and the officers responsible for delivery of each agreed action. Final reports, incorporating an agreed Improvement Plan, 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, a more detailed follow up piece of 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 performance and finance challenge process and consequently monitored through that process as well as being routinely reported to Audit Committee.

3.4 A summary of all outstanding major recommendations is provided in **Appendix D**.

3.6 We have reviewed the status of outstanding recommendations across the Council and analysed these over the relevant directorates. Key issues to note are:

a) Our efforts in the past have been aimed mostly at addressing the major or critical actions – this has been successful, with there being currently 9 major recommendations overdue for completion.

b) There are 36 non-major recommendations overdue at 31 July 2016, and these are distributed as follows:

Directorate	**Overdue non-major recommendations at 31 July 2016**
Adults & Communities	16
Regeneration &	11
Finance & Corporate Services	9
Learning & Opportunities (Children & Young People)	0
TOTAL	**36**

(note: schools are excluded from this analysis)

c) We have worked successfully with management in the Adults Health & Wellbeing Directorate. In February 2015 a report was brought to Audit Committee detailing 84 recommendations outstanding of which 7 related to major risk exposures. As at

18th March 2016 the number of recommendations outstanding had been reduced to 23, none of which involved exposure to major risks. The Directorate currently has 16 overdue recommendations still to clear, and we are confident that appropriate attention is being given to the clearance of outstanding recommendations.

d) We are establishing closer arrangements with management in all directorates to reduce the number of overdue actions they have. Whilst we will obviously ensure that major risk actions are given priority, we will also ensure that lower rated actions are also being managed in a timely manner.

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 1 April 2016 to 31 July 2016.

Performance Indicator	Target	1 April to 31 July 2016	Variance
Percentage of planned audit work completed	30%	37%	7%
Draft reports issued within 15 days of field work being completed	90%	88%	-2%
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 10% of budget	90%	91%	1%

4.2 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.

4.3 Planned audit work complete is showing a strong positive variance which is slightly skewed due to a high number of small (primarily grant jobs) having been completed during the period.

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				
Cash Book	To confirm cash book system is functioning within normal arrangements and that financial controls can be relied on.	03/05/16	*Partial Assurance*	In general controls were found to be operating effectively but improvements were required in the development of a counter fraud report to detect delayed banks transactions.
Treasury Management	To confirm the Treasury Management processes are functioning within normal arrangements and that the controls can be relied on.	14/04/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report.
Benefits	To ensure that benefits payments are made to the correct people, for the correct amount at the right time.	22/02/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report.
Council Tax	Ensure that all Council Tax bills are issued to the correct people, for the correct amount and that there is an efficient and effective process for the collection of the debt.	26/01/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report

Business Rates	Ensure that all Business Rate bills are issued to the correct people, for the correct amount and that there is an efficient and effective process for the collection of the debt.	28/01/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report
Debtors and Income Management	To ensure that financial controls over income billing and collection arrangements can be relied upon and that debt recovery objectives are being met.	22/6/16	*Limited Assurance*	Council departments are responsible for raising their own debtor accounts. Testing showed the procedures in place are generally adhered to and has not highlighted any areas of concern. However, the E5 system is still allowing new customers to be added without approval, which allows duplicate accounts to be made. This in turn does not assist with efficient debt collection, as customers may have numerous debtor accounts and therefore these debts are not being managed collectively There has been a reduction in the amount of outstanding debt (from 16% to 13.5%). This continues to be a positive improvement for the team. There remains a lack of sufficient information, such as collection rate targets, to be able to determine if this is a satisfactory reduction. Without meaningful performance monitoring, it is not possible to assess how well the accounts receivable arrangements are working. Departmental Managers may not be fully aware of any issues caused by their departments and staff and further necessary training requirements may not be identified.
Pool Car Usage	The purpose of this audit was to ensure that pool car charges were	16/05/16	*Partial Assurance*	While in general controls were found to be operating effectively, the review identified that a lot of manual

Charging	being properly administered and that charges to clients were accurate and covering pool vehicle costs. Consideration was also given to the scalability of the scheme to ensure that it was fit for purpose should the scheme be extended to outside partners in line with the thrust of the commercialisation agenda. Controls in place to govern pricing and billing mechanisms were reviewed.			intervention is in place to process pool cars, which leave the arrangements exposed to: • Multiple recording and unnecessary re-keying of information • Manual input errors • Manual calculation errors regarding the number of miles driven (from vehicle start and end mileage dates) • Manual calculation errors of the cost of vehicle usage.
Purchase Card Payments	Ensure purchase card transactions are in line with the Corporate Policy and Procedures	22/04/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report
Housing Rents	To confirm cash book system is functioning within normal arrangements and that financial controls can be relied on.	20/04/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report
Review of Consultant Payments – Compliance with IR35	The objective of the audit was to identify those individuals who fall under the scope of IR35 and to ensure that their employment status has been properly assessed and the appropriate deductions	28/06/16	*Partial Assurance*	The DMBC self-assessment tool to determine employment status was not fit for purpose as it did not actually provide an employment status determination whereas the readily available HMRC tool did provide such a determination. From the sample of 71 suppliers examined, 67 were found to be reasonable assessments. However,

	made as required.			payments to 4 individuals highlighted within this report lacked sufficient support.
ADULTS, HEALTH AND WELLBEING (including Public Health)				
Overpayment Review of Direct Payments	The aim of the review was to provide advice and support and review current arrangements regarding Direct Payments as a result of concerns raised following routine follow up work from previous audits in this area.	16/03/16	*Limited Assurance*	Issues identified included • high numbers and values of overpayments of direct payments not being monitored or managed • weaknesses in the systems to pay, and monitor the payments and recover overpayments • lack of joined up working between the various parties involved in this area
Health Improvement Framework	The Health Improvement Framework has been developed in line with relevant guidance, is approved by the Health and Wellbeing Board and that effective governance including partnership governance and accountability arrangements are in place.	24/02/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report
Public Health Grant Review	The objective of the audit is to ensure that grant funding is allocated and used in accordance with grant conditions.	22/01/16	Substantial Assurance (over the allocation of grant funding) Partial Assurance (over the use of the Wider Determinant Fund)	In general controls were found to be operating effectively but improvements were required over the monitoring of the Wider Determinate Fund
REGENERATION AND ENVIRONMENT				

Domestic Waste Collection	This audit aimed to review contractual monitoring arrangements for the monitoring of the domestic waste collection contract (SITA) and suggest appropriate improvements where necessary.	17/02/16	*Partial Assurance*	In general controls were found to be operating effectively, but improvements were required in the following areas: • Documenting quarterly spot checks on the KPI information supplied by SITA in their monthly performance reports; • Establishing an issues log for non-major contract performance issues; • Formally reporting to senior management on the outcomes of contract monitoring. • Working with the ICT team to re-introduce an automated report of complaints, to replace the current manual system of compiling complaints performance information.
Markets Financial Administration Review	This review summarises the findings of a follow-up audit of governance arrangements at Doncaster Markets previously undertaken by Doncaster Council's Internal Audit Service after a No Assurance report had been issued on the financial and governance arrangements in place.	03/06/16	*Limited Assurance*	A separate report was brought to Audit Committee in June 2016.
Tree Team Follow Up	A follow-up review of the Tree Team's overtime claims/call out claims and standard working days was undertaken following the results of a data match exercise carried out in 2014/15 which identified potential issues with the overtime claims / call out claims	12/04/16	*Substantial Assurance*	Substantial Assurance therefore no significant issues to report

	and compliance of the team with the Working Time Directive.			
CORPORATE / COUNCIL WIDE				
Ensuring ESIF Compliance	Review of the Council's management of the European Structural and Investment Funds (ESIF) contribution to capital and revenue projects. (ESIF funds consist of the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD).	09/03/16	*Limited Assurance*	All ESIF received by the Council is subject to a number of external audits carried out by either the Department for Communities and Local Government (DCLG) or the European Commission (EC). Recent audits have identified non compliances relating to procurement practices adopted by DMBC. This has resulted in claims being sought as clawback from DMBC. The audit identified a lack of corporate instructions, guidance and support for project officers planning to use or using European Structural Funds.

Responsive Audit Work - Advisory / Consultancy / Ad Hoc Work

APPENDIX B

Audit Area	Date Finished	Value of Work
Payroll to Creditors Match	12/04/16	Ongoing work checking for any duplication of payments for work done or potential abuses of position by employees
Schools Financial Values Standard 2015/16	25/05/16	Every school is required to make an annual return regarding its financial arrangement. Every school completed its return for the 2015/16 year and a summary return was completed reflecting this and was signed by the Director of Finance.
Conisbrough Balby Street Primary School Follow Up	02/02/16	Several actions were found to be still outstanding from its previous audit and further advice and support was provided to the school and its governors
Virtual School Consultancy Review The review was to look at Business Functions and Systems within the Virtual Schools Team to identify ways in which systems and processes can be improved.	21/04/16	The review identified improvements to be made around Leadership & Management, Funding, Business Systems and Functions Progress was noted in identifying ways in which they can change, develop and improve in order to deliver a service that is modern, responsive and ensures improved educational outcomes.
Bus Services Operators Fuel Grant	21/06/16	Bus Service Grant Signed off for the period of review
Stronger Families Grant	28/01/16	Grant sign off of the stronger families grant for DCLG.
AGS 15/16	12/06/16	Advice, support and challenge has been provided in the compilation of the AGS through assessing items identified through Internal Audit work and also in the moderation exercise require to identify those items for inclusion in the AGS
National Fraud Initiative (NFI)	12/04/16	This has been reported as part of the Annual Fraud Report.

Responsive Audit Work - Investigations Undertaken

APPENDIX C

Audit Area	Date Complete	Work Completed / Results
Danvm Drainage Board (February 2014) and other Doncaster Internal Drainage Boards	Ongoing	Update July 2016 A full follow up review by Internal Audit in September 2015 was carried out followed by further follow-up work in January 2016. This demonstrates that the Board has now implemented the majority of all actions due with most outstanding issues relating to longer term projects and all outstanding actions have an agreed date for implementation. One major item is overdue which related to setting out a process for dealing with member misconduct. Two telephone conference calls have been held with the NAO and our governance issues will be considered within their report due to be issued in August 2016 which covers governance arrangements around IDBs. The Board's external auditors have now signed off the accounts with a clean opinion but have made reference to the need for sound procurement arrangements given the relationship between the clerks to the Board and their consulting and engineering holding companies. Other Drainage Board related issues • Following a formal request by the Chair of Doncaster East Drainage Board, Internal Audit are investigating financial and governance concerns around the management of a DEFRA funded project
Safeguarding Adults Personal Assets Team (SAPAT) – Added October 2015	Ongoing	A separate report is going to Audit Committee for this area of work.
Surveillance Equipment procurement	24/07/16	Issues were identified with a possible conflict of interest with the procurement of a supplier. These were investigated with the relationship regarded as innocent and is now being managed as a conflict of interest.

Building Control Complaint (Added March 2016)	24/07/16	Concerns were raised over inappropriate practices within the Building Control Team Our work revealed no untoward practice and no further audit work is required.
Affinity Recruitment	24/07/16	This has previously been reported to both the April and June audit committees

Outstanding Major Recommendations

APPENDIX D

Audit Area	Finding	Risk Exposure	Recommendation	Estimated Implementation Date	Revised Implementation Date	Current Status
Regeneration and Environment						
Markets Financial Administration Review	No documented allocation policy or procedure. Allocation decisions and complaints are not documented.	Lack of documented policy, procedures decisions and complaints increases risk of inappropriate stall allocations, reputational damage and legal challenge.	Policies and procedures in respect of all market stalls (indoor, outdoor permanent and outdoor casual) including complaints and decisions made will be clearly documented.	30/06/2015	31/08/2016	Overdue Work is being undertaken to review and document existing policies and procedures.
Adults and Communities						
Overpayment Review of Direct Payments	Due to the backlog of audits on direct payment service users there is not yet a clear picture of the debt owed to the Council.	Loss of monies through irrecoverable debt.	The remaining Direct Payment audits will be completed to establish any further outstanding debt owed from direct payments. Once all audits are up-to-date a clear process for auditing direct payments will be established.	31/03/2016	30/09/2016	Overdue The backlog of outstanding audits continues to be reported and monitored on a weekly basis and debtor invoices raised promptly where outstanding debt is identified
Overpayment Review of Direct	There is still a backlog of care plan reviews to be undertaken to ensure	The service user may not be getting the care they require and	Management have acquired additional resources they consider	30/06/2016	30/09/2016	Overdue Care plans reviews have been substantially

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Payments	all existing service users have been reviewed using the new Carefirst case management process and to have gone through the new RAS (Resource Allocation System) assessments. This however will be dependent upon sufficient resources being applied to the task.	incorrect payments may be being made.	sufficient for the backlog of care plan reviews to be completed within agreed timescales.			completed
Overpayment Review of Direct Payments	There are many concerns around the use of money either by misspend by the service user, non contribution of service users amount, excess balances and also not producing the bank statements and receipts for verification. Currently there are debtor accounts with a value around £650k due to these areas.	Incorrect use of direct payment money. Inefficient use of resources. Substantial, difficulty to recover overpayments.	Direct Payment Accounts will be the default option for all new service users receiving a payment of direct payments. All existing service users will be assessed on review and transferred to Direct Payment Accounts where considered appropriate. Other methods will be considered under exceptional circumstances.	30/06/2016		Overdue This is substantially completed. Internal Audit is awaiting evidence to allow closure of the action.
Overpayment Review of	There is further work to be done to ensure that	Ineffective care plans and increase in debtor	There will be an appropriate feedback loop	30/06/2016		Overdue

Direct Payments	all parties involved in the direct payments process act in a joined up manner with better feedback mechanisms to improve care and case management	accounts raised for direct payments.	process built into the personal budgets and direct payments process to ensure more efficient and effective care plans and better management of personal budgets by service users.			This is substantially completed. Internal Audit is awaiting evidence to allow closure of the action.
Finance and Corporate Services						
Information / Manual Records Management	Copley House has been used as a temporary archive since November 2012. Copley House is meant as a temporary storage solution. It is not fit for purpose and does not have the capacity to hold all the required records. Discussions with the Head of Libraries and Information highlighted that discussions were underway on the Long Term arrangements for storing warm and cold storage, however they had not been approved or communicated.	Staff not kept informed on future plans or progress.	Management will keep records management staff up to date on the services progress and future plans. The long term plan for storage of records once established and approved will be communicated to staff.	31/01/2014	28/02/2016	Overdue A project Manager has been allocated from ICT and a project initiation document has been completed. The project has a 3 year timescale. This audit will be followed up yearly.

Information / Manual Records Management	Records held at Balby are securely destroyed in accordance with the Councils Retention and Disposal policy to guard against loss or destruction. However, the majority of departments do not get in touch when records can be destroyed. There are a lot of records that have not been destroyed that have past their date. An approval system to destroy records is not in place.	Non-compliance with legislation. Information is retained for longer than is required. Avoidable storage capacity problems created. Ineffective and inefficient operations.	Records Management staff will start to look at the records held in Balby and Thorne BSS as a matter of urgency to establish the amount of records that are to be stored legitimately to assist with ascertaining the long term storage requirements for the Council. A report was presented to the Chief Executive and Directors on the 29th October 2013 relating to the long term future council facility for all records storage. Following on from this an action plan will be produced and coordinated to move forward the required changes by the required dates and to monitor progress.	31/03/2014	28/02/2016	Overdue A project Manager has been allocated from ICT and a project initiation document has been completed. The project has a 3 year timescale. This audit will be followed up yearly.

Payment Card Industry Data Security Standard (PCIDSS) Compliance	Non-compliance with regulatory and security requirements relating to the receiving of income through payments made by phone with the use of payments cards	Potential ongoing fines for non-compliance	Work with Departments to ensure Compliance, including:- • A co-ordinated, compliant, approach • Business Process Re-engineering where needed • Developing a full suite of Products • Establishing one Merchant Number Provide Guidance and Policy on Procuring systems compliant with PCI Standards:- • PCI Standard Awareness • Policy / Guidance	31/3/16	31/3/17	Overdue It has been negotiated with RBS World Pay to allow one submission under the Council's primary merchant number to cover all the "unregulated" Point of Sale (POS) with separate merchant numbers. However, the full implementation of this recommendation is reliant on the delivery of a corporate Chip and Pin solution which was due to be included in Lot 2 of the Bank Tender which has now been delayed. Staff managing each unregulated point of sale OS have undertaken some form of training in managing the POS in line with PCI DSS guidance and work has commenced on producing an Income Management Payment Strategy/Policy.

Ensuring ERDF Compliance	Lack of certainty over whether the Council's arrangements comply with European grant criteria.	Potential for loss of grant funding / clawback of previous grant.	External review of ERDF Guidance to be carried out	31/5/16	30/9/16	Overdue The Head of Procurement has sourced an appropriate external legal specialist (Trowers & Hamlins LLP) to review the procurement guidance used by the Council for ERDF funding. We are currently awaiting a response from Trowers & Hamlins LLP.

Doncaster
Metropolitan Borough Council

17 August, 2016

To the Chair and Members of the
AUDIT COMMITTEE

STRATEGIC RISK REPORT MAPPING

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

EXECUTIVE SUMMARY

1. The Audit Committee has a key responsibility for ensuring the Council has effective risk management arrangements in place. Following a self-assessment exercise completed by the Audit Committee in earlier this year and subsequent discussions at Audit Committee meetings, the Audit Committee decided to look more deeply into the management of the Council's strategic risks.

2. To facilitate its decisions on which strategic risks to carry out 'deep-dive' reviews on, the Audit Committee requested information on where progress in relation to the Council's strategic risks are currently reported, with a view to providing additional assurance through its own 'deep-dive' reviews, for example where there are no other Member reviews of the management of the risks. **Appendix A** lists the Council's strategic risks and highlights the reports that are scheduled to be produced during the year for each of the risks.

RECOMMENDATIONS

3. The Audit Committee is asked to:

a) Note and comment on the report.
b) Nominate the strategic risks it wishes to carry out 'deep dive' reviews on, to provide a more in-depth picture of how the risks are managed reviewed and reported.

EXEMPT REPORT

4. Not Applicable

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The embedding of robust risk management arrangements within the Council incorporating the management of strategic risks creates an environment in which we can successfully meet our objectives to deliver Doncaster's priorities and the Mayoral Priorities Outcome Framework.

IMPACT ON THE COUNCIL'S KEY PRIORITIES

6.

Priority	Implications
All people in Doncaster benefit from a thriving and resilient economy.	The embedding of robust risk management arrangements within the Council will contribute to the effective delivery of all the Council's key priorities
People live safe, healthy, active and independent lives.	
People in Doncaster benefit from a high quality built and natural environment.	
All families thrive.	
Council services are modern and value for money.	
Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

7. The Risk Management Policy includes a requirement to review strategic risks on a quarterly basis and this is a matter of good management and good governance.

LEGAL IMPLICATIONS

8. Any specific implications will be reported separately and in the context of any initiative proposed to be taken in relation to the management of strategic risk.

FINANCIAL IMPLICATIONS

9. Should any specific initiatives be required, in response to the management of strategic risks, any cost implications will be reported and addressed as and when they arise.

HUMAN RESOURCES IMPLICATIONS

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

12. There are no specific equality implications arising from this report. However, any activities arising from the management of strategic risks will need to be the subject of separate

'due regard' assessments.

CONSULTATION

13. Consultation has taken place with strategic risk owners and Directorate Management Teams as part of the quarterly performance challenge process.

BACKGROUND PAPERS

Reports generated via Covalent for Directorate Q1 challenge meetings
Corporate Plan 2016/17
A range of relevant corporate reports

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APPENDIX A

Strategic Risks Report Map

Ref	Strategic Risk (Directorate and Director)	Reporting Schedule	Notes
SR02	(AH&W – Kim Curry) Health and social care services do not change fast enough , impacting on quality, accessibility and affordability of services for people who need them most **Current Risk profile: 15 Target Risk profile: 15**	**Risk reports from Covalent** AH&W DLT: Monthly	Additional linked reports/activity include: • LGA safeguarding peer review recommendations progress review (by LGA); • AHWB Transformation Programme progress report • Monitor and review via covalent in line with Risk Management Policy • PDR review forms and one to one forms
SR03	(F&CS – Simon Wiles) Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation **Current Risk profile: 12 Target Risk profile: 4**		Detailed information on the 2016 valuation, including assumptions, will be set out in the budget reports. Depending on the valuation report received in September a separate report may also be required for Executive Board, this be will determined following discussions based on the level of risk.
SR04	(F&CS – Simon Wiles) Current austerity measures result in increased poverty in Doncaster, causing deprivation for citizens and restricting the borough's ability to improve and grow ***(wording to be reviewed as part of the Q1 challenge process)*** **Current Risk profile: 20 Target Risk profile: 12**	**A specific report to evidence the management of this risk**. Directors: End of Q3 Exec Board: TBC Cabinet: TBC OSMC: TBC	Additional linked reports/activity include: • Annual partnership anti-poverty Strategy and Action Plan summit (held in June 2016); • Anti-Poverty Needs Assessment (presented at Anti-poverty Summit in June 2016)
SR05	(F&CS – Simon Wiles) 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 **Current Risk profile: 12 Target Risk profile: 8**	**The Annual Report for 2015/16 and the Year 3 Action Plan** Directors: September Exec Board: TBC Cabinet: TBC **A review of the council's approach to Equalities and Diversity to inform the next 4 year plan will be carried out and reported as**	The elements of the Action Plan are assigned to the relevant Service Area and are managed by the Equality Portfolio Group and the Steering Group. The outcomes will inform the development of the Equality and Diversity Plan for 2017-2020.

		follows:. Directors: January 2017 Exec Board: February 2017 Cabinet: February 2017	
SR07	(F&CS – Simon Wiles) Failure to improve Data Quality will prevent us from ensuring that data relating to key Council and Borough priorities is robust and valid **Current Risk profile: 16 Target Risk profile: 8**	**Development of a data quality strategy for the council** Directors: 22nd August 2016 Exec Board: 13th September 2016	Targeted dates for completion of development of strategy 30/9/16, followed by roll out of action plan.
SR08	(F&CS – Simon Wiles) Failure to achieve the budget targets for 2016/17 and 17/18 **Current Risk profile: 20 Target Risk profile: 9**	**It is scheduled to produce a number of reports on progress leading to approval of the Budget at Full Council on 2nd March 2017** **Medium Term Financial Plan and draft 2017/18 budget proposals** Cabinet: November 2016 **Draft Budget Proposals** Cabinet: 17th January 2017 14th February 2017 Full Council: 2nd March 2017	The reports will go to numerous Directors, EB, Cabinet and Scrutiny meetings during the period September 2016 to March 2017 Launched on the 17th January, approved on the 14th February
SR09	(L&O:CYP – Damien Allen) Children and Young People do not achieve in line with national expectation **Current Risk profile: 16 Target Risk profile: 12**	**School examination results Provisional examination / school results** CYP scrutiny panel – Sept 2016; Directors: Nov 2017; Executive Board: Nov 2017 **Validated examination results -** CYP scrutiny panel - Feb 2017; **Education and Skills Commission report** Council – Sept 2016 CYP scrutiny panel – Sept 2016;	The revised school improvement strategy gives details of the ongoing approaches to manage the risks to underachievement in all key stages. Ongoing LA plans for the services and partners concerned are in place and monitored regularly, reported to the Education Improvement Board, governing bodies and Overview and Scrutiny. A number of time limited projects are being actioned to improve standards in the areas at greatest risk of not reaching National averages.

SR10	(L&O;CYPS – Damien Allen) Failure to adequately implement effective joint working arrangements which could lead to ineffective delivery of children's services across the wider partnership system **Current Risk profile: 12 Target Risk profile: TBC**	**JSNA** Children and families Partnership Board Sept 2016; Health & Wellbeing Board – Oct 2016; **Children and Young People's Plan.** **Children and families Partnership** Board – Jan 2017(approval) ; Directors – Jan 2017 (for info) Executive Board – Jan 2017; Cabinet - Feb 2017;(for info) Council – March 2017 (for info) DMBC / DCST Annual contract review report Quarterly performance monitoring meeting Nov 2016; Performance Accountability Board – Dec 2016 Directors- Dec 2016; Executive Board – Dec 2016; Children' scrutiny panel – Jan 2017; *(submitted for approval to DfE Dec*	The Children and Families Partnership Board is responsible for discharging the overall S10 statutory duty which is overseen and monitored by Team Doncaster and reviewed by the Doncaster Children's Safeguarding Board and Health and Wellbeing Board.
SR13	(L&O;CYPS – Damien Allen) Failure by the Council and the Trust to agree and set a realistic annual budget target **Current Risk profile: 15 Target Risk profile: TBC**	In addition to the activity set out under SR08 above the Trust's budget will be considered under the Annual Review as set out in the service contract with the Trust. The Annual Review report is required to be submitted to the SoS for Education around December 2016 and will be reported to Cabinet, in line with reporting set out in SR08 above It is scheduled to produce a number of reports on progress leading to approval of the Budget at Full Council	A number of meetings will be held as part of the Council's budget setting process and Trust's Annual Review process from September 2016 to January 2017 and updates will go to the meetings identified in SR08 above. Financial performance is challenged at the officer performance monitoring meetings with the Trust and issues escalated as required to the Joint DMBC / DCST quarterly monitoring meeting and Performance Accountability Board.

		on 2nd March 2017 **Medium Term Financial Plan and draft 2017/18 budget proposals** Cabinet: November 2016 **Draft Budget Proposals** Cabinet: 17th January 2017 14th February 2017 Full Council: 2nd March 2017	
SR14	(L&O;CYPS – Damien Allen) Failure to meet children's safeguarding performance requirements which could lead to an 'inadequate' inspection judgement by Ofsted **Current Risk profile: 15 Target Risk profile: 15**	**LGA peer review** Quarterly performance monitoring meeting - Sept 2016**;** Directors - Sept 2016 **Ofsted monitoring visits** – August November 2016; February 2017 Quarterly performance monitoring meetings and Performance Accountability Board **DCST quarterly report** - Children's scrutiny panel - Oct 2016; Feb 2017. **DMBC / DCST Annual contract review report** Quarterly performance monitoring meeting Nov 2016; Performance Accountability Board – Dec 2016 Directors- Dec 2016; Executive Board – Dec 2016; Children' scrutiny panel – Jan 2017; *(submitted for approval to DfE Dec 2016;)*	Performance is challenged at the officer performance monitoring meetings with the Trust and issues escalated as required to the Joint DMBC / DCST quarterly monitoring meeting and Performance Accountability Board.

The following strategic risks profiles are 10 or less

SR01	(AH&W – Kim Curry) The agreed standards and policies are not adequately understood and implemented by practitioners who work with vulnerable adults increasing the risk of vulnerable people experiencing harm or abuse	Current Risk profile: **10** Target Risk profile: **10**
SR06	(F&CS – Simon Wiles) Failure to implement the Council's key borough objectives in partnership	Current Risk profile: **6** Target Risk profile: **6**
SR11	(L&O;CYPS – Damien Allen) Failure of partnership to engage in effective early intervention leading to inappropriate referrals to statutory services and unnecessary escalation of need and risk	Current Risk profile: **9** Target Risk profile: **TBC**
SR12	(L&O;CYPS – Damien Allen) Failure to adequately address a sufficient number of Children's Trust PIs (as defined in the service delivery contract)	Current Risk profile: **9** Target Risk profile: **TBC**
SR15	(R&E – Peter Dale) Failure to respond adequately to borough emergencies or mitigate effectively against the effects of extreme weather conditions e.g. flooding	Current Risk profile: **8** Target Risk profile: **15**
SR16	(R&E – Peter Dale) Without effective influence and engagement with the Sheffield City Region, there is a threat that Doncaster does not achieve economic benefit from the devolution deal	Current Risk profile: **9** Target Risk profile: **9**
SR17	(R&E – Peter Dale) Failure to identify and manage Health and Safety risks	Current Risk profile: **8** Target Risk profile: **8**

In addition to the reports listed above Strategic Risks are reviewed as part of the quarterly Finance and Performance challenge process. The timetable for 2016/17 is as follows:

	Q1	Q2	Q3	Q4
Directors	10th August 2016	31st October 2016	1st February 2017	TBC
Exec Board	16th August 2016	8th November 2016	7th February 2017	TBC
Cabinet	6th September 2016	29th November 2016	28th February 2017	TBC
OSMC	6th October 2016	15th December 2016	23rd March 2017	TBC
Audit Committee (Risk section only**)**	TBC	TBC	TBC	TBC

17 August, 2016

To the Chair and Members of the Audit Committee

INTERNAL AUDIT TEAM – ANNUAL FRAUD REPORT 2015/16

EXECUTIVE SUMMARY

1. This report collates and summarises the work done by the Council during 2015/16 to prevent, detect and investigate fraud and corruption in line with the Government's *Fighting Fraud and Corruption Locally* strategy.

2. It should be noted that the incidence of fraud remains very low in overall terms taking into account the Council's activities. Despite this, fraud risks for the Council continue to increase (as does the fraud risk to the UK economy) with cyber fraud being the highest current threat to the Council.

3. Responsibility for the investigation of housing benefit fraud passed during the year (September 2015) to the Single Fraud Investigation Service (part of the Departments for Work and Pensions). As a result, some figures on detected fraud rates are unavailable (when compared to previous years), as little is known of the result of investigations since they were transferred to the SFIS.

4. In previous years the Annual Fraud Report was primarily a results based report, highlighting cases of fraud and work done to prosecute offenders. This year's report, attached, aims to capture not only the results of work undertaken but to also explain the Council's counter fraud response as a whole, including the acknowledgement and examination of the Council's risks in terms of fraud and corruption.

5. Significant amounts of time and resources were invested in 2015/16 in fraud awareness training for senior managers, key employees and elected members, in total covering 98 officers and 20 elected members. Work is now underway to convert the material into an e-learning package for wider release. Also during 2015/16, an external consultant was brought in to review and assist with the construction of fraud risk registers for the Council. Work is continuing in 2016/17 to review risk exposures and the controls in place to manage these risks to ensure that the Council's response is robust. A further report will be presented to the Audit Committee in November 2016 showing the risks identified and the corresponding mitigating actions in place.

EXEMPT REPORT

6. This report is not exempt

RECOMMENDATIONS

7. **The Audit Committee is asked to support the production of the Counter Fraud Report and agree to appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. Fraud and corrupt activity divert scarce resources away from Council services. The cost the tax payer money that could have been used for the benefit of local citizens. Maintaining a strong counter fraud stance helps to minimise fraud losses and deter fraudulent activity

Background

9. The production of an annual fraud report, which details the work done to counter fraud and corruption, is in line with good practice recommended by CIPFA. Doncaster Council aims to foster a zero tolerance approach to fraud and seeks to educate staff on identifying fraudulent behaviour, educate managers to assess the risks of fraud in their areas and to detect and investigate fraud where it is identified. The Council's commitment to combatting fraud and corruption is contained in the Anti-Fraud and Corruption Framework which is approved by the Audit Committee.

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

10. It is best practice to produce an annual report identifying the Council's response to fraud risks and the results of its anti-fraud and corruption work.

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*	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.
	People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.
	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.	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.
	Working with our partners we will provide strong leadership and governance.	Working with our partners to combat fraud and corruption is important to protect the overall public purse. The Council works with St Leger Homes to combat tenancy fraud and actively participates in the National Fraud Initiative to identify and combat fraud across the public sector.

RISKS AND ASSUMPTIONS

11. Failure to address fraud and corruption risks causes:-

- reputational damage to the Council from fraud and corrupt practices;
- diverts scarce resources away from priority services to the detriment of our citizens.

12. Doncaster Council manages these risks by assessing its exposure to fraud and by putting in place controls to mitigate the risks identified.

LEGAL IMPLICATIONS

13. The Council is obliged to minimise the loss of resources resulting from fraud and corruption. It is also obliged to publish the data in the Annual Fraud Report under the requirements of the Transparency Agenda. This information will be published on the Council's website.

FINANCIAL IMPLICATIONS

14. Failure to minimise and effectively deter and combat fraud and corruption detracts from Council funds and therefore Council service delivery.

HUMAN RESOURCE IMPLICATIONS

15. None

TECHNOLOGY IMPLICATIONS

16. None

EQUALITY IMPLICATIONS

17. Every citizen in Doncaster is affected by fraud in the UK economy both as a result of fraud committed against themselves and fraud committed against the Council. Whilst every citizen is affected, fraudsters generally target citizens with protected characteristics such as the young, the elderly, those with mental health issues or those with learning disabilities.

CONSULTATION

18. None

BACKGROUND PAPERS

19. The Council's Anti-Fraud and Corruption Framework

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Appendices

Appendix 1 – Internal Audit – Counter Fraud Report 2015/16

Simon Wiles
Director of Finance and Corporate Services

APPENDIX 1

Internal Audit –

Counter Fraud Report

2015/16

CONTENTS

1. Introduction

1.1. This fraud report is produced by Doncaster Council to raise awareness of the work the Council undertakes to manage the risk of fraud and corruption. It brings together, in one document, a summary of the outcomes of our work to prevent and detect fraud and corruption.

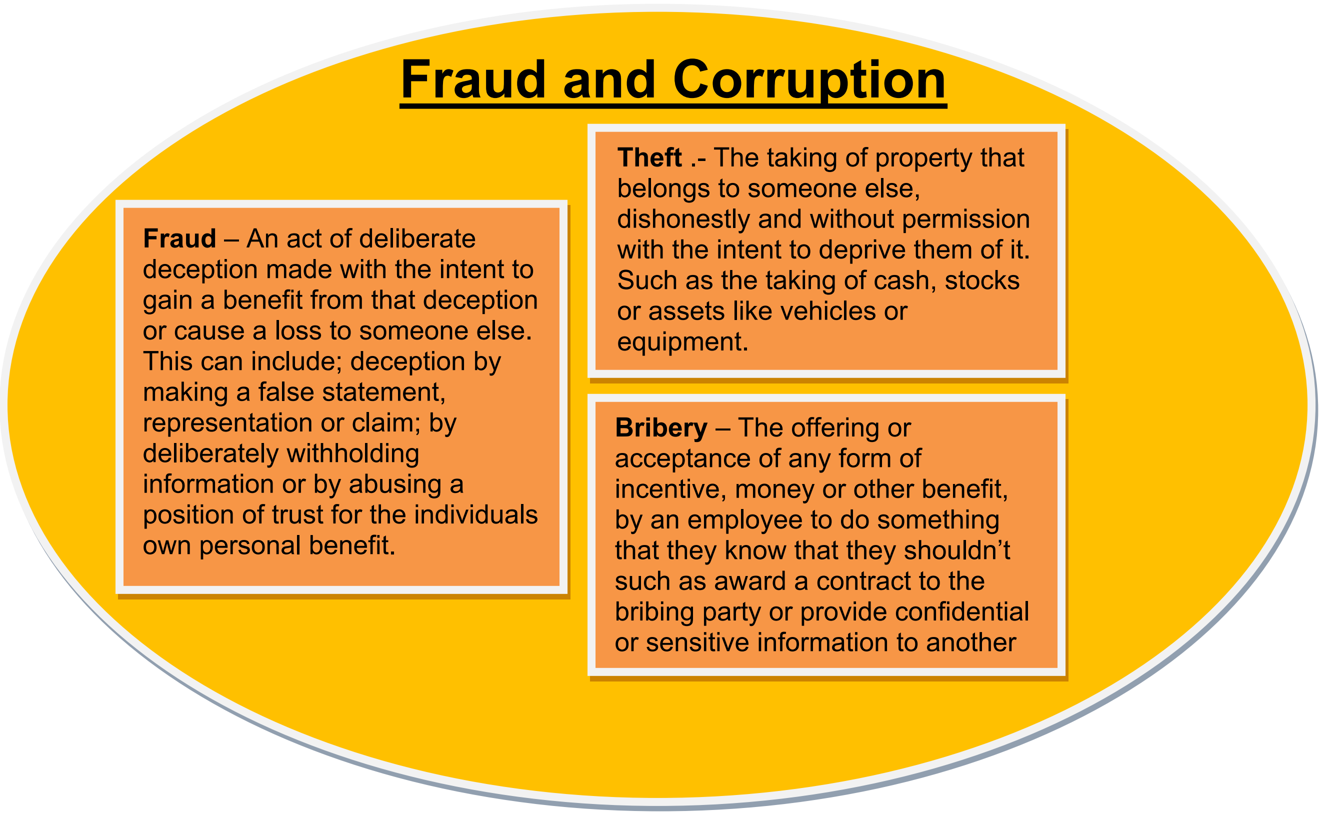
1.2. Doncaster Council employs over 9,000 people (including authority schools) and has a yearly revenue gross expenditure of over £660m and capital spending of over £133m (these figures are from the 15/16 Draft Statement of Accounts).

1.3. Like any organisation of this size, the Council can be vulnerable to fraud and corruption, both from within and from outside the organisation. The Council aims to minimise its risk of loss due to fraud and corruption recognising that any loss incurred is carried by the honest majority. The Council has a duty to the public to protect the resources under its control.

1.4. Any instances of fraud, corruption and/or other dishonesty endanger the achievement of the Council's policies and objectives as they divert its limited resources from the provision of services to the people of Doncaster. They also undermine the Council's reputation and threaten its financial standing. Consequently, the Council is determined to eliminate fraud and corruption where possible. This commitment is made in the Council's Anti-Fraud, Bribery and Corruption Framework.

2. What is fraud and corruption?

2.1. Fraud and corruption is the general name given to any acts of fraud, theft or bribery that occur or are attempted. Fraud, theft and bribery are each defined in law.



2.2. All of these acts involve 2 key elements; dishonesty and personal benefit or gain. Personal gains don't need to involve money. A personal benefit or gain can be goods or services received or even escaping a penalty or fine. While most fraud is low level, some fraud is as a result of serious organised crime, such as insurance fraud.

2.3. It should be noted, that whilst the Council has a zero tolerance approach to fraud and corruption from both within and externally, it is impossible to stop fraud from occurring due to its covert nature.

3. The scale of the problem

3.1. Estimates from the last co-ordinated indicator provided by the National Fraud Authority in 2013 put fraud loss in the UK at an estimated £52bn (see below). The latest indicators available put fraud loss much higher at around £193bn, although there are big differences in the way the figures are calculated as there is no one definition or accepted method with which to estimate the true scale of fraud loss.

Figure 1: Identified fraud loss estimates by victim

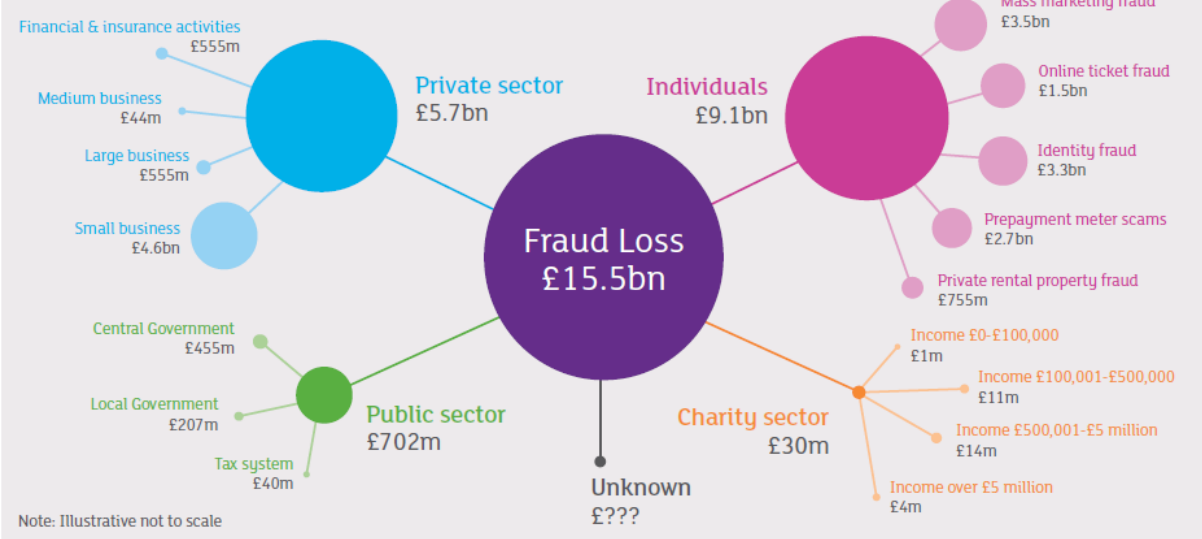
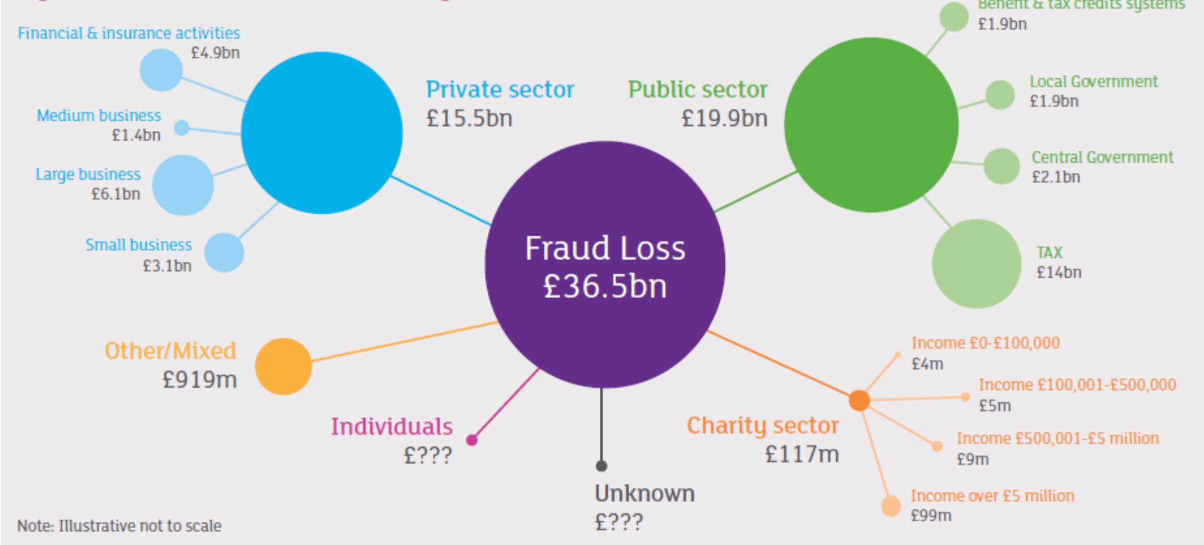


Figure 2: Hidden fraud loss estimates by victim



Annual Fraud Indicator 2013

3.2. Whichever estimation version is used, the scale of fraud is a serious issue to all individuals, businesses and authorities consuming valuable resources. The majority of fraud is however, undetected and reducing fraud is a serious challenge for us as a council.

4. The Council's strategy for combatting fraud and corruption

4.1. The Council has developed and published its own strategy for combatting fraud and corruption, the Anti-Fraud and Corruption Framework. This was based on current best practice and is compatible with the Government's *Fighting Fraud and Corruption Locally Strategy 2016-2019*. The Council's approach is divided into 3 main areas of focus; (1) acknowledgement of our risks, (2) prevention and detection work and (3) the pursuit of those that abuse the public purse whenever it is in the public interest to do so:

Fighting Fraud and Corruption Locally 2016-19

4.2. Each of these elements and the work we have undertaken in each of these areas is discussed in sections 5 to **Error! Reference source not found.** of this report.

5. Counter Fraud Activity – Acknowledging fraud risks

5.1. The shape and activities of the Council are constantly changing to keep pace with the changes in economy, society and political environmental within the UK. These present different fraud risks that must be taken into account if the Council is to tackle fraud and corruption effectively. This section of the report tackles how we acknowledge our risks and is divided into 3 main themes; acknowledgement of the Council's role and responsibilities for detecting and preventing fraud; acknowledgement of our fraud risks and training and awareness activities.

The Council's Role and Responsibilities

5.2. The Council acknowledges its duty to protect the public purse and pursue fraud and corruption as outlined in the Anti-Fraud and Corruption Framework approved by the Council. Fraud awareness and the assessment of fraud risks has been a key element of the counter fraud activities for 2015/16 and this continues to be supported throughout the organisation by Senior Management.

5.3. From the 1st September 2015, 3 members of staff from the Council's Benefits Enforcement Team were transferred to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS), who took over responsibility for Housing Benefit Fraud Investigations. This represents a significant change in anti-fraud responsibilities; the Council retains the duty to prevent fraud and error in respect of Housing Benefit and Local Council Tax Support, and has a new duty to work collaboratively with SFIS, but it is now the responsibility for the investigation of these frauds that has passed to the DWP. The Council has retained the services of 1 accredited counter fraud officer and the Enforcement Team Manager to support the relationship between the Council and the DWP. Their retention also provides the Council with some additional counter fraud resources that are no longer solely dedicated to the pursuit of housing benefit fraud.

5.4. All allegations of Housing Benefit fraud received from the general public or through staff suspicions are now referred to DWP.

5.5. The Council retains responsibility for all other fraud elements outlined in the fraud risk register.

Acknowledge fraud risks

5.6. The Council successfully applied for funding in order to undertake a project to improve fraud awareness at the Council during 2015/16. An external specialist was commissioned to help the Council further develop its fraud risk registers and to deliver fraud risk awareness training to senior managers and elected members. The project has now been completed.

5.7. The Council's overall inherent fraud risk level is considered to be medium, which would be typical for an organisation of this size. The risk is mitigated through a series of internal control activities. A significant emerging risk the Council faces is that of cyber fraud. Technological advancements have over the last 10 years provided fraudsters with a powerful all reaching series of tools with which to exploit the vulnerabilities of individuals, businesses and councils alike. In order to combat these risks, the Council's ICT Team has developed a Cyber Security Incident Response plan.

Training and awareness activities

5.8. As outlined in paragraph 5.6, during 2015/16 the Council undertook a series of fraud risk workshops and fraud risk training events for senior managers, key personnel and elected members. These were to raise the awareness amongst officers and elected Members of the risks that the Council faces and the role officers and elected Members play in mitigating these risks on behalf of the Council. 98 officers and 20 elected members received detailed training on this issue. Feedback from the training events was very positive.

5.9. Further awareness sessions are planned for 2016/17 to ensure that a high level of awareness is maintained. This will include the conversion of the training material from the face to face sessions into e-learning training material so that it can be cascaded to other officers of the Council and used on a refresher basis. This electronic training is anticipated to be in place by December 2016.

5.10. In addition to the above, the Council's ICT Team has released training covering spam emails, viruses and ransomware in order to educate officers and elected Members to minimise the risks of exposure to cyber fraud.

6. Counter Fraud Activity – Preventing, Detecting and Pursuing Fraud

6.1. Preventing fraud through the use of robust internal controls is a function of management throughout the Council and forms the Council's first line of defence. Robust management oversight, through for example exception reporting, forms a second line of defence. Internal audit forms the third line of defence and adds value by ensuring that the first 2 lines of defence are robust and are working effectively.

6.2. Internal Audit supports the prevention, detection and pursuit of fraud through various activities on the internal audit plan and this supplements other counter fraud activities provided in other areas.

6.3. In 2015/16 the following work was completed in respect of counter fraud and fraud detection activities by Internal Audit Services:

- Fraud awareness and fraud risk training for senior managers and elected members. In total 98 senior managers and key employees were trained and a further 20 elected members.
- Review of the Council's fraud risk registers (this is earlier in this report).
- Advice and consultancy on the suitability of the Blue Badge Enforcement Strategy.
- Proactive fraud detection work and the investigation of subsequently identified anomalies. This initiative seeks to maximise the use technology can play in identifying data anomalies for investigation. The Internal Audit Team seeks to utilise technological capabilities wherever possible to minimise costs whilst maximising any error or fraud detection possibilities. Work in this area included data matching between payroll and creditors information (to identify employees who are also supplying the Council) and data matching purchase card transactions to employee working arrangements to identify unusual transactions and inappropriately used purchase cards. A summary of work undertaken in this area is shown below:

Description	**Number of Anomalies Investigated**	**Investigation Results**
Payroll to creditors matches	103 Council Matches 110 Schools Matches	All matches, except one which is to be completed, have been investigated. The majority were explainable (for example common names like Smith) but around 10% were identified conflicts. These were investigated and not deemed to be a risk to the Council due to the nature of the conflict and the employee's role in the Council.

Description	Number of Anomalies Investigated	Investigation Results
Purchase card payments employee working arrangements and payroll leavers (to detect misused credit cards and non-cancelled cards)	6 matches were made between active card holders and employees who had left their jobs. Working arrangements testing identified 23 anomalous card uses	4 matches were identified involving employees changing roles and were therefore satisfactory. 2 active cards were detected for 2 actual leavers. Neither card had been fraudulently used. It was identified these cards had been used on non-working days and on weekends but that the employees had done overtime or additional hours or that their roles were such that out of hours transactions were expected. All such purchases were satisfactorily explained.

- The Council uses specialist software to identify potential duplicate payments on a daily basis. However, during a system change in 2015, these checks were not able to be completed. For this period, Internal Audit performed computer interrogation checks that identified duplicate invoices totalling £276k, which are now being recovered.
- Internal Audit has also completed responsive investigations designed to investigate and pursue fraud once identified. A summary of completed cases is shown below (this is in summary form only so as to protect confidentiality and the Council's interests where necessary).

Notes / Details	Value
A false claim was received for a start-up business grant from Business Doncaster. Audit investigation revealed bank statements submitted in support of the application were false, as were invoices for business start-up costs received from the applicant. As a result of the investigation payment of the fraudulent claim was prevented. The applicant has absconded.	£25,000 detected and prevented
Suspected false invoices were received from a supplier undertaking mental capacity assessments on the Council's behalf. 4 suspicious invoices were identified where the dates of the assessment visits did not match the records of the various care homes. Use of this supplier was discontinued and improvements were made to internal checking controls to strengthen them for future use.	£800 detected
Monies were stolen from a school office for school lettings. These monies had not been properly safeguarded. Advice was given to improve school cash handling but there was insufficient	£300

Notes / Details	Value
evidence to take this case further.	
Anomalous transactions were identified in a school voluntary fund. A case was investigated concerning unusual transactions in the schools voluntary fund. On investigation, it was clear that the schools agreed policy allowed expenditure of the type in question. Advice and support was given to ensure that the policy was amended to meet best practice. No fraud was detected.	£0
Fraud allegations, against the building control service, were received from an external competitor of the service. These were investigated in full and no fraud or malpractice was identified	£0
A possible conflict of interest was also identified between 2 companies bidding for work from the Council. The 2 suppliers were found to be one and the same company attempting to bid for the same contracts, representing an external attempt at supplier fraud. Due to the fact that other suppliers were also included on tenders that were not related to either suspected supplier, it is not believed that there has been an impact on the Council in terms of the cost of any procurements.	£0

- The Council participates in the NFI (National Fraud Initiative). Run by the Government's Cabinet Office, the NFI matches electronic data within and between some 1,300 public and private sector organisations. The initiative works by comparing different sets of data, like payroll and housing benefits records, and flagging unusual combinations such as any person claiming housing benefits from more than one local authority or any person claiming housing benefits while failing to disclose his/her employment etc. The investigation of subsequent matches is a significant task for the Council. Investigation of matches for the 2015/16 financial year found 1 instance of fraud and 87 errors with a saving of £43,082.

6.4. In addition to the work completed above by Internal Audit the Revenues and Benefits Enforcement Team, in addition to their role as SPOC for the Single Fraud Investigation Service (for the investigation of housing benefit fraud), the Enforcement Team completed the following counter fraud support work:

- Before the transfer of responsibility to SFIS in September 2015, the Enforcement Team obtained 46 successful prosecutions for housing and council tax benefits and issued 6 formal cautions and 4 administrative penalties. 117 referrals for housing benefits fraud have been made to SFIS for suspected frauds after responsibility transferred to the DWP. There have been no recorded sanctions issued by SFIS in relation to these referrals so far.
- FERIS (Fraud and Error Reduction Incentive Scheme). FERIS is an incentive scheme that offers a financial reward to local authorities that find reductions to

Housing Benefit entitlement, as a result of claimant error or fraud. The scheme aims to encourage Council's to find and action changes in circumstance which reduce housing benefit entitlements. This can be by finding / detecting unreported changes in circumstances and by encouraging / reminding benefit claimants to report changes in their circumstances promptly. The team used 3 visiting officers to proactively target (on a risk basis) the benefits caseload to ensure claims are complete and accurate. The team bid for monies from the FERIS start up fund to undertake this work totalling £41,009.

- Council Tax Reduction Scheme data matching. In June 2015, the National Fraud Initiative launched a flexible matching service for council tax reductions. The Council was proactive in signing up to this matching service which resulted in overpayments of council tax reduction totalling £5,646. A further £7,040 in overpayments / fraud was prevented (this is what is known as a notional saving). These are essentially estimates of the future loss prevented by the early detection of fraud and error compared to the average length of a detected fraud or error).
- Participation in the above suggested that there were further savings to be made in this area. The Enforcement Team conducted other interventions on council tax reduction cases where claimants were identified as having earned income. This exercise resulted in the identification of £22,568 with the prevention of further loss (notional savings) of £26,226. A further council tax exercise was also undertaken on claimants in receipt of DWP benefits. This resulted in a further £51,303 of overpayments being detected and further notional savings of £17,451. Due to the effectiveness of both of these exercises, these exercises have been integrated into the Enforcement Team's risk based checking and interventions programme for 16/17.
- New homes bonus exercises. The new homes bonus is a scheme introduced by the government that gives a financial incentive for councils to build new homes or return long term empty properties (properties that have been empty for 6 months or more). Once triggered, the financial incentives as a result of these properties are payable for 6 years and are based on the value of the council tax band that the identified or new property resides in. By incorporating credit referencing information into their enquiries, the Enforcement Team identified 168 long term empty / new properties that were investigated and found to be inhabited. This equates to £190,228 in new homes bonus payments generated this year and for the next 5 years.

7. Action plans – The Way forward

7.1. It is important that the Council maintains its focus on counter fraud activities and on fraud detection to discharge its responsibility to safeguard the public purse. The Internal Audit plan for 2016/17 contains allowances for both proactive counter fraud work on such as data matching initiatives, the NFI and responsive investigation time. Anti-fraud reviews are also planned on some key governance initiatives such as declarations of interest and declarations of gifts and hospitality to ensure that the Council's arrangements are robust.

7.2. The Enforcement Team is set to continue its risk based approach to detect fraud and error and maximise the resources available to the Council.

7.3. Technological opportunities to exploit the large amount of data held by the Council and its partners will continue to be investigated to increase fraud detection rates, increase the timeliness of error detection, protect the public purse and minimise the costs to the Council.

7.4. The Council is committed to keeping abreast of the latest developments in fraud, fraud risks and best practice in counter fraud areas and will continue to monitor developments in these areas to ensure that the Council's response remains proportionate and effective.

7.5. Fraud risk registers will be discussed with directorate managers to review the Council's residual exposure to fraud risks. These will be managed and an overall fraud risk will be added to the Council's strategic risk register.

7.6. Fraud awareness training and money laundering training will be released during 2016/17 as an electronic training course. Roll out of this course will improve fraud awareness and staff awareness of individual responsibilities across the Council.

8. Reporting Concerns

8.1. If you have any concerns, please report your suspicions as quickly as possible together with all relevant details. You can report any concerns to the Internal Audit fraud hotline on 01302 862931 or using any of the methods or contacts identified in the Whistleblowing Policy.

8.2. Alternatively you may prefer to put your concerns in writing to the:

Head of Internal Audit
Internal Audit Services,
Civic Office,
Waterdale,
Doncaster,
DN1 3BU

Please mark the envelope — "CONFIDENTIAL — TO BE OPENED BY THE ADDRESSEE ONLY".

8.3. The Council would prefer you not to provide information anonymously as any subsequent investigation could be compromised if we cannot contact you to help gain a full understanding of the issues. However, we will still consider anonymous information that is received. All reported suspicions will be dealt with sensitively and confidentially.

8.4. If you wish to report any suspicions in relation to Benefit Fraud please contact the team on their benefits fraud hotline on 01302 735343 or complete the online form "Report a Benefit Cheat ". This can be found on the Council's website

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Doncaster
Metropolitan Borough Council

17 August 2016

To the Chair and Members of Audit Committee

ADULTS, HEALTH AND WELLBEING - LEARNING DISABILITY/SUPPORTED LIVING REVIEW

EXECUTIVE SUMMARY

1. Following consideration of the Annual Governance Statement for 2015/2016 at their June Audit Committee meeting, Members requested an update report at their August meeting where the AGS would be finalised and approved to better understand the item regarding Learning Disability / Supported Living Review. This report has been compiled to comply with this request.

2. The item within the AGS states "an improvement area was identified relating to annual reviews within the learning disability team. There is a risk that some of these reviews may be individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for CHC funding. As the robust review project works through the cases we will have a better understanding of the accommodation and support needs of each individual.

RECOMMENDATIONS

3. Audit Committee is asked to:

a) Note the update and progress made Learning Disability/Supported Living Review

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Doncaster Citizens with a learning disability will be better supported by having timely and effective reviews which will ensure that they get the support they need, contribute to their package appropriately and access the correct funding streams. They will have outcomes based reviews which takes account of their feelings and aspirations and is geared to enabling them to achieve the fullest level of independence possible.

5. This in turn will generate efficiency savings which can either be re-invested in new initiatives for this client group or used to provide better services and support for other members of the community.

BACKGROUND

6. In the 2015/2016 Adults, Health and Wellbeing Annual Governance Statement it was identified that improvement was required in relation to annual reviews within the learning disability. There was a risk that some of the individuals within supported living had not had a financial assessment, which meant that some may

be eligible for CHC funding but are not claiming it and others may be eligible to pay towards the support they are receiving.

7. A 12mth review project was established in May 2015 with a scope of reviewing all individuals residing within supported living, totalling 267 individuals.

8. The review scope was to consider the process for inputting data onto Care First to trigger a financial assessment and address the backlog of overdue annual reviews taking a strengths based approach.

9. The review project has delivered 267 social care reviews. All individuals have now had a financial assessment, and where appropriate and required, are now being supported to contribute their disposable income towards their care.

10. To ensure that people in Supported Living are charged accordingly three operating systems are used which are all independent from each other. CareFirst which holds service agreements, Abacus which has financial details and financial management system for provider payment. All the systems rely on information being inputted manually by three separate service areas. This silo production of information increases the risk of error and miscalculation for the authority. This created a major challenge for the project and was to be addressed by the Care First data migration project.

11. All financial data for non-residential services is due for migration to Care First in November 2016. The expected outcome of the project are:

    1. All services managed on CareFirst;
    2. Significant increase in data quality and
    3. Improved data reporting of Financial information, e.g. ability to reconcile commitments to actual spend. There are no negative consequences anticipated.

12. This work is underway and will ensure that the supported living data, currently held by Commissioning, is up-to-date and accurate. Following migration this data will be maintained by care management team. The services in scope of this project also include domiciliary care, extracare, shared lives and supported living. There is no impact expected impact on service users. There are approximately 400 service users receiving supported living.

13. There are other aspects arising from this work, including work with commissioners to ensure a wider service offer is available, together with reviewing the care of other people with a learning disability who receive services that is outside the scope of this particular project.

IMPACT ON THE COUNCIL’S KEY PRIORITIES

14. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Adults, Health and Wellbeing achieving its objectives and will ensure that the authority become Care Act Compliant in relation to this client groups’ reviews. Efficiency savings will be made and support will be focussed on the needs and aspirations of the individual citizen.

	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	The regular reviews of an individual's care and support needs will ensure the individuals needs are met and they are given choice and control to live independent lives, together with being compliant with the Care Act
	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 implementing the actions outlined to address the issues identified will ensure the best use of the financial resources available is achieved. Where appropriate the financial assessment will enable the recovery of income towards the cost of care packages.
	Working with our partners we will provide strong leadership and governance.	Working in partnership with external providers and the third sector, will deliver a modern and effective service to people.

RISKS AND ASSUMPTIONS

15. The implementation of the review and subsequent action with address the risks caused by the authority being non Care Act compliant and will deliver a serviced that is modern, cost effective and personalised to the individual using a variety of options rather than defaulting to the traditional residential style support.

LEGAL IMPLICATIONS

16. Part of the process is to identify issues that could have open the council up to litigation, therefore by delivering the recommended improvements there can be more confidence that processes are compliant and less likely to be subject to challenge.

FINANCIAL IMPLICATIONS

17. There are no identified direct financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS

18. There are no identified human resource implications arising from this report.

TECHNOLOGY IMPLICATIONS

19. There are no identified technology implications arising from this report.

EQUALITY IMPLICATIONS

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

CONSULTATION

21. Consultation with the people affected by the review have been undertaken.

22. This report has significant implications in terms of the following:

Procurement		Human Rights & Equalities	
Human Resources		Environment & Sustainability	
Buildings, Land and Occupiers		Capital Programme	
ICT		The Care Act 2014	
Directorate Strategies & Policies	x		

BACKGROUND PAPERS

Internal Audit Reports

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Doncaster Metropolitan Borough Council

17 August, 2016

TO THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE

SAFEGUARDING ADULTS PERSONAL ASSETS TEAM – RESPONSIVE REVIEW

EXECUTIVE SUMMARY

1. The Safeguarding Adults Personal Assets Team (SAPAT) is a relatively small service within the Directorate of Adults, Health and Wellbeing that aims to look after the financial, property and personal affairs of vulnerable adults in the community and in residential care who lack the capacity or family support to look after their own financial arrangements. SAPAT currently comprises 11.5 staff (FTEs) and has an overall gross budget of £356k. The service is currently projected to be around £60k overspent during the current financial year. It manages the finances of 584 vulnerable clients (as at the date of this report) and deals with approximately 60 public health funerals each year. Of the 11.5 staff, 8.5 are dedicated case workers managing client finances, 2 deal with funerals and the protection of property elements of these cases with 1 team leader. 3 of the FTE's are currently temporary and have been introduced to try and deal with the issues that the team faces.

2. This report summarises the issues uncovered and progress made to resolve these issues after a review of the SAPAT (Safeguarding Adults Personal Assets Team) part of the Adults Health and Wellbeing Directorate. The review was undertaken after concerns were raised by senior managers about the level of funds held by the SAPAT service on behalf of vulnerable clients and about the level of any housing benefits and financial support (for their care) that some clients were receiving which seemed at odds with the values held in their bank accounts. Adults Health and Wellbeing had however, already started to look at arrangements in the service due to the level of cash still held and distributed by the team.

3. A full review was undertaken of the team and its operations. The resulting findings are detailed in Appendix 1 to this report. The review identified serious failings by SAPAT which meant that in some cases there was insufficient attention paid to the amount of monies accumulated in people's accounts leading to incorrect financial assessments and incorrect payments of relevant benefits. The review identified that the failings were caused by a variety of issues including:

   - A clear lack of management direction from those managing SAPAT.
   - A caseload for Doncaster that was disproportionately higher than other councils in the local area and caseloads for individual SAPAT staff that were well beyond safe management limits.
   - An "open door" policy that accepted almost all referrals to SAPAT from social workers without robust challenge as to why the Council needed to be involved in the management of the client's finances.
   - Poor set up and configuration of the case management system on which client cases are reviewed and managed (CASPAR).
   - Poor understanding of the benefit rules and entitlement conditions for common benefit types.

- A lack of reporting, exception reporting and performance information.
- Lack of a consistent process between case workers and a lack of documented procedures.
- Poor recording systems, missing information and poor data quality.
- A reliance on keeping data stored outside of corporate systems and on the S:Drive and
- Complications from the switching of the Council's bank accounts from the Co-Op Bank to Lloyds.

4. It is stressed that once issues came to the attention of senior managers remedial actions were taken immediately and are ongoing at the time of this report.

EXEMPT REPORT

5. **Appendix 1 to this report is not for publication because it contains exempt information under paragraph 3 (information relating to the financial or business affairs of any particular person, including the authority holding that information) of Schedule 12A of the Local Government Act 1972 as amended.**

RECOMMENDATIONS

6. **The Audit Committee is asked to note the progress of the audit review, the issues within SAPAT and the progress made to ensure that the team and its associated processes and procedures are fit for purpose going forward.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

7. Adult safeguarding is a fundamental part of the Council's remit. Whilst the Council does not need to provide a personal financial and personal affairs management service for vulnerable clients, it has chosen to do so to support its role in adult safeguarding. 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

8. This report provides the Audit Committee with information on the outcomes from and progress off the joint Internal Audit and Adults work in SAPAT and allows the Committee to discharge its responsibility for monitoring the Council's exposure to risks.

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

9. 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	SAPAT is part of the Adults, Health and Wellbeing Directorate who lead on Adult Safeguarding. The purpose of the SAPAT service is to contribute to financially safeguarding 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
	Outcomes	**Implications**
	Council services are modern and value for money.	Initial analysis of the SAPAT service is that it is neither modern nor value for money. 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

10. Failure to address governance and operational weaknesses within the SAPAT service exposes the Council to the following risks:-

- Potential reputational damage to the Council as a result of a failure to properly manage the affairs of vulnerable adult clients,
- Potential legal litigation as a result of any failure to properly manage the affairs of vulnerable clients,
- Potential financial loss as a result of the write off or non-collection of charges such as care fees (or other fees) and
- Potential financial loss as a result of reimbursing clients who suffer a financial detriment as a result of a failure to properly manage their finances.

LEGAL IMPLICATIONS

11. Failure to implement a re-engineered process within SAPAT potentially causes a detrimental impact upon the reputation and business affairs of the Council and could possible result in litigation should any vulnerable client be financially disadvantaged by any failure to properly carry out Appointeeship or Deputyship duties.

FINANCIAL IMPLICATIONS

12. Failure to implement a re-engineered process within the SAPAT service potentially causes a detrimental impact upon the reputation and business affairs of the Council and could result in a loss of income from clients or a cost to the Council to correct any detrimental financial impact caused as a result of failings in the SAPAT process.

HUMAN RESOURCE IMPLICATIONS

13. None

TECHNOLOGY IMPLICATIONS

14. A root cause analysis of the issues within SAPAT identified that a failure to properly implement a technological solution and a heavy reliance on alternative and manual systems to store data have been a significant contributor to the problems of the team.

EQUALITY IMPLICATIONS

15. The SAPAT service serves vulnerable adults with primarily protected characteristics, specifically older people, people with physical and mental health issues and those with learning disabilities. Due to the nature of the clients that the SAPAT service supports, these groups are likely to be disproportionately affected by the issues identified in this report.

CONSULTATION

16. 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

17. Safeguarding Adults Personal Asset Team – Full Report
18. Care Act 2014

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APPENDICES

Appendix 1 – SAPAT (Safeguarding Adults Personal Asset Team) Full Report (Exempt Information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).

Simon Wiles
Director of Finance and Corporate Services

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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