

**To the Chair and Members of the
AUDIT COMMITTEE**

STATEMENT OF ACCOUNTS 2015/16

EXECUTIVE SUMMARY

1. This report presents the Council's unaudited Statement of Accounts for the 2015/16 financial year. The report highlights the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.
2. The Accounts and Audit (England) Regulations 2011 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. Since 2010/11 these regulations have been based on International Financial Reporting Standards ('IFRS') which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency.
3. Whilst there is no longer a requirement to present the draft accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
4. There is a requirement to obtain certification of the accounts by the responsible financial officer, for Doncaster MBC this is the Director of Finance and Corporate Services, by the 30th June each year. The statutory deadline for the date of approval and publication of the final Statement of Accounts remains unaltered at 30th September. However, due to improved financial management processes, the Council is working to shorter deadlines for the 2015/16 accounts of the 31st May and 31st July respectively.

EXEMPT REPORT

5. Not applicable.

RECOMMENDATIONS

6. Members are requested to note the 2015/16 Statement of Accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

8. The Council's 2015/16 accounts have been prepared in accordance with IFRS and the appropriate accounting codes of practice and have been approved by the Council's responsible financial officer on the 2nd June. This is 21 days earlier than the accounts for 2014/15 and provides confidence that the earlier statutory dates can be achieved.
9. The statutory 6 week period in which the accounts are available for public scrutiny must include the 1st 10 working days in July. The accounts will be available for public scrutiny from 23rd June to 3rd August. This was advertised on the Council's website on 13th June. The unaudited accounts were placed on the Council's website on 7th June in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.
10. The accounts will be subject to external audit during the period 4th July to 5th August and it is expected that the audit opinion will be finalised (subject to the continuing work on the Whole of Government Accounts) by 17th August, which is 16 days earlier than the 2014/15 accounts. Legislative requirements significantly reduce the timeframe allowed for the accounts closure process and Members of the Audit Committee will now be aware that the Council is required to produce the audited Statement of Accounts for the 2017/18 financial year by 31st July 2018, with the unaudited 2017/18 accounts being produced by 31st May 2018.
11. The Council is planning to finalise its audited 2015/16 accounts by 17th August, 30 days earlier than 2014/15. The accounts and a report will be presented by KPMG to this Committee on 17th August setting out the result of the external audit in the form of their 'Communication with those charged with governance' report (ISA 260 report), which formally sets out the findings of their audit of the financial statements.

The 2015/16 Financial Statements and Supporting Disclosure Notes

12. The style and format of the accounts used for 2015/16 is similar to that used last year. A new Narrative Report has replaced the Explanatory Foreword and provides a summary of the Council's accounts and performance. Group accounts are no longer completed due to materiality. The 'removing the clutter' drive has continued, with a number of items excluded or revised as part of reducing the size of this year's accounts. The draft accounts are now 103 pages in length (compared to 110 pages in 2014/15 and 119 pages in 2013/14).

13. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Early production of the accounts enables the Members of this Committee sufficient time to review the statements and ask challenging and pertinent questions. Whilst the Narrative Report provides the summary of the financial year and the associated statements, it is worthwhile highlighting some specific points for the year: -

- a. At the meeting on 21st June, Cabinet will be presented with the final outturn positions for both revenue and capital for the 2015/16 financial year. 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 overspend is funded from Minimum Revenue Provision (MRP) budgets in 2015/16 due to the changes implemented resulting in an overall underspend of £4.6m.
- b. For Members, probably the most important issue will be whether the Council has a surplus or deficit compared to its budget for the year. The (increase)/decrease in 2015/16 on the Movement in Reserves Statement gives this information for both the General Fund and the Housing Revenue Account (HRA). The deficit of £21.5m shown in the Comprehensive Income and Expenditure Statement (CIES) is an indication that the costs of providing the year's services have not been covered by income. This is split between General Fund services (£17.7m) and the HRA (£3.8m). This represents the position that would have been reported under 'commercial accounting' rules. Statutory adjustments convert the Council's financial performance from the £21.5m to a £1.6m decrease in the general fund balance, which after adjusting for earmarked reserves reconciles with the £4.6m underspend reported and a £0.7m increase in the HRA.
- c. The Council's net worth has increased by £68.0m to £580.0m since the previous financial statements (see 'Balance Sheet' on page 16 of the accounts). This is principally due to the decrease of £26.9m in the Council's liability relating to the Local Government pension scheme (from £388.1m to £361.2m). This is mainly due to revisions in the actuary's future assumptions of key variables, as detailed in disclosure note 37, 'Defined Benefit Pension Scheme' (pages 84 to 87 of the accounts).
- d. Reserves are an indication of the temporary resources available to assist an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves have decreased by £18.0m or 15.1% from £119.4m to £101.4m (these are shown on page 15).

Usable Reserves (see Movement in Reserves Statement)	31st March 2015	31st March 2016	Movement in year
	£m	£m	£m
General Fund balance	20.7	19.1	(1.6)
Earmarked General Fund reserves	59.0	50.4	(8.6)
Housing Revenue Account	6.1	6.9	0.8
Capital Receipts Reserve	10.0	12.5	2.5
Major Repairs Reserve	11.1	3.6	(7.5)

Capital Grants Unapplied	12.5	8.9	(3.6)
Total Usable Reserves	119.4	101.4	18.0

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £86.1m to £478.6m mainly reflecting the change in the Revaluation and Pension Reserves. During 2014/15 the Council made a prepayment of £28.0m to the SY Pensions Authority in respect the pension deficit for the period 2014-2017, generating non-recurrent revenue savings in 2014/15 of £0.6m. This prepayment has resulted in an imbalance between the Pension Reserve (£372.4m) and the Pension Liability (see Note 37 on page 85 of the accounts) of £11.2m as at 31st March 2016 with £11.2m being charged in year.

Unusable Reserves (Note 20)	31st March 2015	31st March 2016	Movement in year
	£m	£m	£m
Revaluation Reserve	268.6	295.3	26.7
Capital Adjustment Account	530.7	548.4	17.7
Financial Instruments Adjustment A/c	(1.6)	(1.4)	0.2
Pension Reserve	(410.5)	(372.4)	38.1
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	3.3	4.8	1.5
Accumulated Absences Account	(2.8)	(1.0)	1.8
Unequal Pay Back Pay Account	0.0	0.0	0.0
Total Unusable Reserves	392.5	478.6	86.1

Financial Ratios

14. The following financial ratios promote the accountability of councils for their spending decisions. These include: -
- The ratio of **current assets to current liabilities**, an indicator of how a council manages its short-term finances
 - The ratio of **usable reserves to gross revenue expenditure**, highlighting how much money a council is retaining for future plans and to cover unpredictable spending
 - The ratio of **long term borrowing to long term assets**, representing the percentage of a council's assets that are financed with borrowing. A low figure means a council is less dependent on debt and has lower risk associated with its operation.
 - The ratio of **school balances to dedicated schools grant**, showing whether schools, maintained by the Council, are retaining a high or low proportion of the funding provided for spending on education

The ratios for the Council are provided below and reflect continued, sound financial management and governance arrangements:

DMBC Financial Ratios	2013/14	2014/15	2015/16
Current assets to current liabilities (working capital)	0.759	0.802	1.164
Usable reserves to gross revenue expenditure	9.46%	11.79%	10.58%
Long term borrowing to long term assets	0.259	0.288	0.290
School balances to Dedicated Schools Grant	9.05%	11.60%	9.72%

The proportion of current assets to current liabilities (ideal ratio of 1.0) is steadily improving indicating that the Council is managing its short term finances more effectively with a decrease in short term liabilities (the ratio has increased to 1.164 in 2015/16).

The comparison of usable reserves (which includes, for these purposes, General Fund balances, earmarked reserves (less school balances) and usable capital receipts) to gross revenue spend is now lower at 10.58% (down from 11.79% in 2014/15).

OPTIONS CONSIDERED

15. Not applicable.

REASONS FOR RECOMMENDED OPTION

16. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2015/16. The Council has a statutory obligation to submit its draft 2015/16 Statement of Accounts to the External Auditor by 30th June. Failure to do so could result in an audit qualification and consequential reputational damage.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

17. These are detailed in the table below: -

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>The Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified opinion from KPMG on the financial statements and a good Value for Money conclusion would assist with the positive reputation of the Council and ensure that strong governance is in place.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p>	

	<ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	Council services are modern and value for money.	
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

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

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

LEGAL IMPLICATIONS

19. Section 27 of the Audit Commission Act 1998 specifies that the Secretary of State may, by regulations applying to bodies subject to audit other than health service bodies, make provision with respect to the form, preparation

and certification of accounts and of statements of accounts.

20. The Accounts and Audit (England) Regulations 2011 under regulation 8(2) provides that the Council's responsible financial officer must certify the Statement of Accounts, as soon as is reasonably practicable and, in any event, before 30th June immediately following the end of a year.

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCES IMPLICATIONS

22. There are no specific HR implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

24. This report has no specific equality implications.

CONSULTATION

25. This report has no significant consultation implications.

BACKGROUND PAPERS

26. Following background papers:
- Accounts and Audit Regulations 2015
 - The Code of Practice on Local Authority Accounting 2015/16 ('The Code') - based on IFRS

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