

# Financial Statements 2020-2021



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## INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset Council for the period from 1 April 2020 to 31 March 2021.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, housing, transport, planning, trading standards and libraries. Decisions relating to these services are made by the Elected Councillors of the Council, each Councillor representing a particular part of the County. Services in Bournemouth, Christchurch and Poole are administered by a separate, Unitary Authority serving that area.

The Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by four outcome-focused overview and scrutiny committees. These are the People and Health Overview/Scrutiny Committees, and Place and Resources Overview/Scrutiny Committees. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the council's five priorities of Economic growth; Unique environment; Staying safe and well; Strong, healthy communities; and Suitable housing. Each of these committees meet, formally on a quarterly basis to provide the necessary support and challenge and when necessary, have the powers to call additional meetings. In addition, the Audit and Governance Committee provides oversight of the Council's conduct, financial, risk, performance and constitutional issues. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Planning Committees, School Appeals, etc.

Further details about the Council are available on the [dorsetcouncil.gov.uk](http://dorsetcouncil.gov.uk) website.

### **Certification by Chief Financial Officer**

I certify that these Financial Statements give a true and fair view of the financial position of Dorset Council and of its financial performance for the year ended 31 March 2021.

These Financial Statements for 2020/21 were authorised by the CFO for issue as a draft, subject to audit, on 29 July 2021 and authorised again at Audit and Governance Committee as a final, audited set of financial statements on 20 February 2024.



Aidan Dunn  
**Executive Director (Corporate Development)  
(Chief Financial Officer)**

**20 February 2024**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNCIL

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements of Dorset Council ('the Council'):

- give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 55;
- the Collection Fund and related notes 1 to 3; and
- the statement of accounting policies – Appendix A.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2020/21.

#### Basis for qualified opinion

##### Non-Domestic Rates (NDR) Appeals Provision

As at 31 March 2020 and 1 April 2019 the total NDR appeals provision covering all of the bodies in the collection fund was £31.3m and £32.7m, respectively. The amount related to Dorset Council's proportion of the collection fund is £15.0m as at 31 March 2020 and £16.1m as at 1 April 2019. The Authority recognises a provision in relation to their proportion of the potentially successful appeals raised against the rateable values of properties on which the non-domestic rates it collects on behalf of itself and other entities as part of the collection fund are based.

We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the NDR provision as at 31 March 2020 and 1 April 2019 due to a lack of available information from the Valuation Tribunal on the claim success rate to assess the required provision. Consequently, we were unable to determine whether any adjustments to these amounts were necessary and conclude that the provisions held are in line with the CIPFA code.

Our audit opinion on the financial statements for the period ended 31 March 2020 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures. In addition, the effect of this would also impact the discussion of financial performance in the narrative statement.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – material uncertainty related to property valuations**

We draw attention to note 54, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's land and buildings. As noted by the Authority's external valuers, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Council is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

#### **Other information**

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the comparability of the current year's results affected by the non-domestic rates (NDR) appeals provision of £15.0m held at 31 March 2020 (£16.1m on 1 April 2019) and corresponding figures. We have concluded that where the other information refers to non-domestic rates (NDR) appeals provision, it may be materially misstated for the same reason.

### **Chief Financial Officer's responsibilities**

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the Council and its control environment and reviewed the Council's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Council operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, and the Local Government Finance Act 2012
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Council's ability to operate or to avoid a material penalty. These included relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below

- The assessment of whether the Council is acting as an 'agent' or 'principal' and the treatment of the conditions of additional Covid-19 funding grants and the recognition of the grant funding is subject to potential management bias. We reviewed management's paper on the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted, compared the Covid-19 grants included in the Statement of Accounts to a centralised list of all Covid-19 grants in order to identify any material omissions, tested a sample of funding for the Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet, and considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures.
- The completeness of accruals recorded at 31 March 2021 and the timing of their recognition are subject to potential management bias. We performed recalculation of a sample of accruals and performed focused testing in relation to the completeness of accruals through testing post year-end invoices received and post year-end payments made.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

### Matters on which we are required to report by exception

#### Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work in respect of the Council's arrangements is not complete at the date of our report on the financial statements. We will report the outcome of our work on the Council's arrangements and include any additional exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report. We are satisfied that the remaining work is unlikely to have a material impact on the financial statements.

#### **Respective responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2021, as to whether the Council had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Council's arrangements, will be reported in our separate Auditor's Annual Report.

#### **Reports in the public interest or to the regulator**

The Code of Audit Practice also requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;



- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

#### **DELAY IN THE CERTIFICATION OF COMPLETION OF THE AUDIT**

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report). We are satisfied that our remaining work in this area is unlikely to have a material impact on the financial statements or on our value for money conclusion.

#### **Use of our report**

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Howse (Key Audit Partner)  
For and on behalf of Deloitte LLP  
Cardiff  
21 February 2024

# NARRATIVE STATEMENT TO THE ACCOUNTS

## Introduction

Welcome to the second set of financial statements for Dorset Council. The Council was established on 1 April 2019 as part of the reorganisation of local government in Dorset brought about by the Bournemouth, Dorset and Poole (Structural Changes) Order 2018 (2018/648).

The accounts summarise the Council's performance and financial position for the year ended 31 March 2021. The Council is required to prepare the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015 (as amended), supported by International Financial Reporting Standards (IFRS), other statutory guidance and generally accepted accounting practices.

## Corporate plan

Dorset Council created the corporate plan in March 2020 to set out its ambitions for the next four years. It incorporates the political vision of your new councillors, and has been developed following conversations with residents, town and parish councils, businesses and representatives from the public, private and voluntary sectors.

The strategic priorities identified in the corporate plan are:

### Economic growth

- Promote Dorset as a place to do business and attract inward investment
- Support the growth of new and existing businesses, and in turn support job creation
- Improve the provision and use of sustainable transport and digital connectivity
- Enhance people's aspirations and skills to improve social mobility
- Support growth in Dorset's low carbon economy and skills

### Unique environment

- Improve access to our coast, countryside and greenspaces
- Deliver services in ways that protect our natural, historic and cultural environments
- Promote behavioural change to reduce waste and increase reuse and recycling
- Lead and support communities to respond to climate and ecological change
- Capitalise on Dorset's unique environmental assets to support our priorities
- Provide an environment that attracts business investment, tourism and a skilled workforce
- Protect Dorset's natural biodiversity
- Build and celebrate community pride in our environment to help keep it clean and safe
- Support the development of appropriately located renewable energy

### Suitable housing

- Maximise the use of council assets to develop affordable and sustainable housing, including the creation of more social rented housing
- Bring long-term empty properties back into use
- Support people to access the right accommodation
- Raise standards of privately rented homes, using appropriate legislation
- Promote energy efficiency and green initiatives within the housing sector

# NARRATIVE STATEMENT TO THE ACCOUNTS

- Implement a new single Dorset Council housing register
- Adopt a new Dorset Council Local Plan by 2024

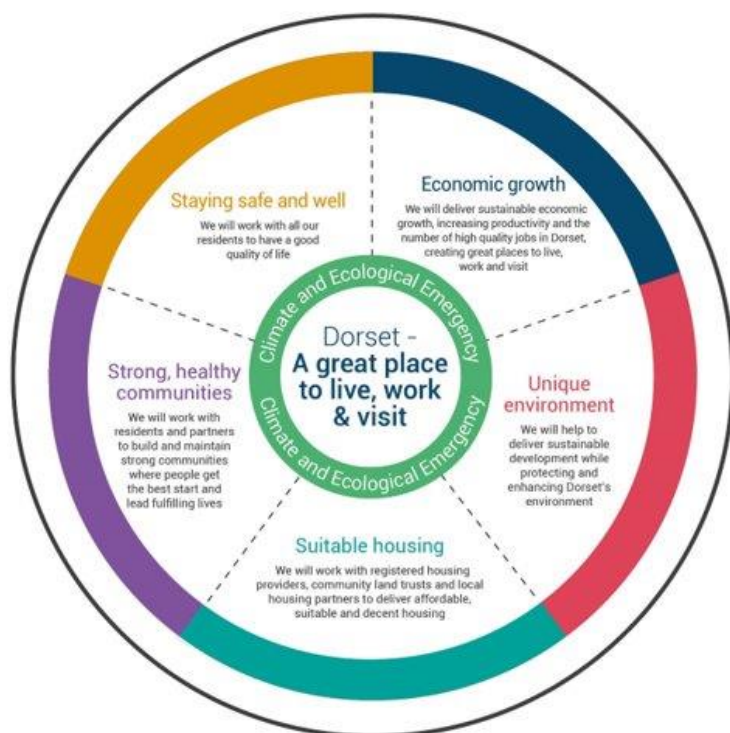
## **Strong, healthy communities**

- Work to improve the economic, social, cultural and environmental wellbeing of the area
- Support communities to be connected, inclusive, safe and active
- Enable people to feel a sense of belonging and to participate actively in their community
- Aim to increase people's healthy life expectancy and reduce differences between areas
- Provide additional support to communities with the greatest challenges
- Improve outcomes for children, and focus on narrowing the gap for the most vulnerable
- Keep Dorset connected, with better transport and digital links between communities

## **Staying safe and well**

- Make Dorset the best place to be a child; where communities thrive, and families are supported to be the best they can be
- Ensure our children achieve the best educational results they're capable of
- Support older people and disabled people to live independently in their own homes and, when this isn't possible, provide high-quality care
- Focus on getting it right first time, proactively providing early help as needs arise
- Build and support capacity in voluntary, community and social enterprise organisations
- Work to protect children and vulnerable adults and prevent them from being exploited

**Chart 1: Dorset Council Corporate Plan**



# NARRATIVE STATEMENT TO THE ACCOUNTS

## Budget and performance

The Council set the 2020/21 net budget at £304m, funded from general grants (£5m), business rates (£47m) and council tax (£252m) meaning a band D equivalent council tax charge of £1,694.79. A small improvement in the financial settlement from Government and the release of resources from support services through reorganisation meant that considerable extra funding was added to budgets for front line services. More detail is set out in the budget strategy report agreed by the Council in February 2020.

When setting the budget, however, no one could have foreseen the pandemic that was about to occur and the impact it would have on public service organisations and their budgets.

Table 1, below, shows the summary outturn for the Council compared with its budget. The analysis shows that overall, service budgets were overspent by £20.155m, whilst there were underspends and offsetting savings in financing and central budgets of £4.627m, meaning that overall, there was a net call on the general fund of £15.528m. The analysis of performance against budget and how this feeds through to movements in the Council's general fund is shown in the expenditure and funding analysis (EFA).

Reconciling numbers is also a tricky business when so many of them are used for such varying purposes in this report. It might therefore help the reader to note that the *draft outturn* figures in table 1 can also be seen in the *reported in management accounts* line in the segmental analysis (note 7 to the accounts) which in turn reconciles to the *deficit on provision of services* disclosed in the comprehensive income and expenditure statement (the Children's Services figure is a combination of DSG and Council budget totals).

The Council forecast an overspend throughout the year due to the pandemic, so the outturn position was not unexpected. A mix of cost pressures, lost income from sales, fees and charges and potential shortfalls in council tax and business rates collection were the principal causes. During the year, additional general grant from Government was announced as well as support for lost income. The council also started to see a recovery in income due to the easing of lockdown restrictions and worked hard on all fronts to bring costs down.

Table 1

Directorate	Net Budget	Draft Outturn	(Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	122,616	130,200	(7,584)	(6.19)
People - Children's	77,776	85,614	(7,838)	(10.08)
Place	60,853	65,918	(5,065)	(8.32)
Corporate Development	27,402	26,202	1,200	4.38
Legal & Democratic Services	6,193	7,061	(868)	(14.02)
Public Health	(10,806)	(10,806)	0	(0.00)
Total Service Budgets	284,034	304,189	(20,155)	(7.10)
Central Finance	(325,727)	(330,354)	4,627	(1.40)
Whole Authority	(41,693)	(26,165)	(15,528)	

The general fund started the year at £28.2m and the impact of the activities was £15.528m. As part of the budget 2021/22, cabinet agreed to raise the level of the general fund to

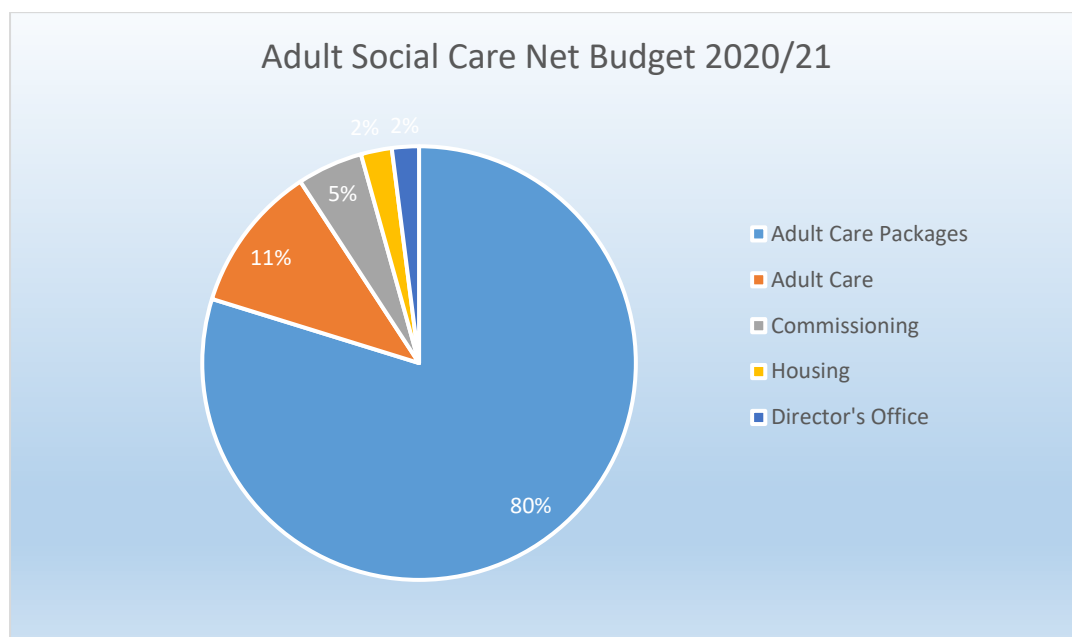
# NARRATIVE STATEMENT TO THE ACCOUNTS

£31.5m and this was achieved through the repurposing of other reserves, following a strategic review that was agreed by Cabinet in June 2021.

## Adult and Community Services

People - Adult and Housing is the largest spending directorate in the Council. The approved, net revenue budget for 2020/21 was £122.6m with a total outturn of £130.2m resulting in a £7.584m overspend for the Directorate. The largest element of the budget, £97.8m (80%) is for Adult Social Care (spend on packages of care) as shown in Chart 2 below.

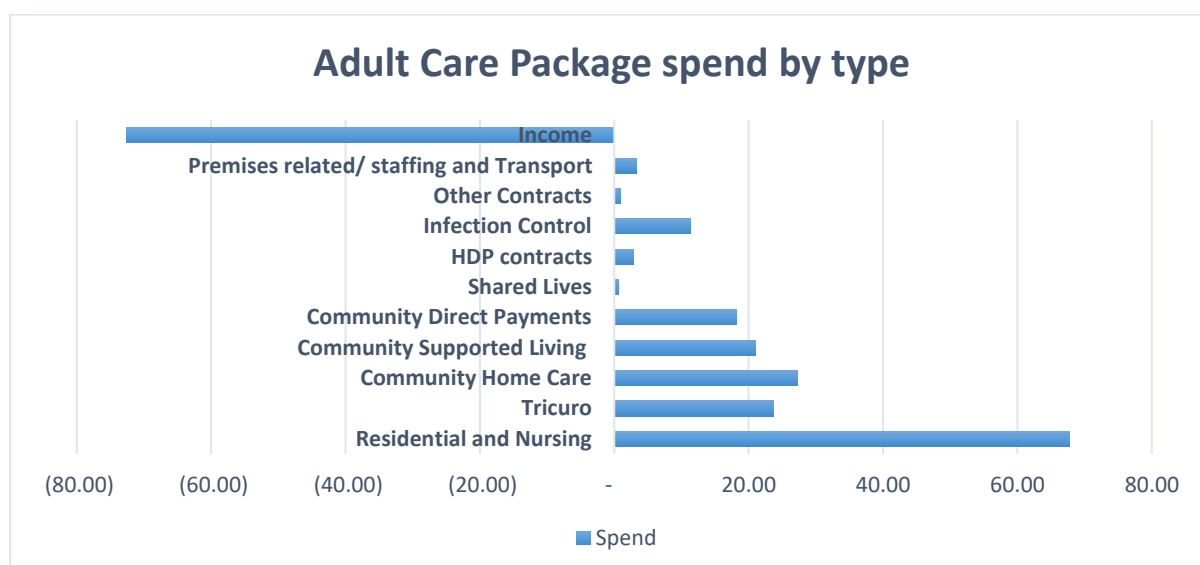
Chart 2



In line with national trends, the cost of adult social care services in Dorset continues to rise. The spending relating to Adult Care Packages in the year was overspent by £6.63m, the key factor being the Covid19 pandemic. This was caused through a mixture of increasing acuity or complexity of packages as well as providing additional support to care providers across Dorset including 10% additional payments and PPE costs.

Chart 3 shows where this was spent.

Chart 3



# NARRATIVE STATEMENT TO THE ACCOUNTS

The other area of overspend was within Housing Services (£1.67m). The Council was required to support homelessness during the pandemic which caused additional spend on bed and breakfast accommodation, security costs and housing homeless people.

Improved Better Care Fund (iBCF) monies totalling £12.085m were received in 2020/21. These formed a part of a system-wide BCF plan, developed by the Clinical Commissioning Group (CCG) and the local authorities under the governance of the Dorset Health & Wellbeing Board.

The national guidance for the BCF requires the Clinical Commissioning Group and the County and District Councils to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents. The combined funds totalled £134.05m with Dorset Council contributing £74.2m as shown in table 2, below.

Table 2

Scheme	CCG	LA	Grand Total
Carers	1,112,941		1,112,941
High Impact Changes Implementation/ Supported Hospital Discharge	6,172,065	3,316,243	9,488,308
Intefrated Health and Social Care Locality Teams	17,390,458		17,390,458
Maintaining Independence	7,077,214	8,200,364	15,277,578
Moving on from Hospital Living	3,441,000	1,213,000	4,654,000
Strong and Sustainable Care Markets	24,627,000	61,497,859	86,124,859
	59,820,678	74,227,466	134,048,144

The economic situation continues to be extremely challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to those in need of assistance. The Directorate is committed to further cost reductions in future to balance the budget, including initiatives to review the appropriateness of many packages of care, increase income and make efficiency savings.

## **Children's Services**

Children's Services budgets include funding for social care, education and early action services. The Dedicated Schools Grant (DSG) is a ringfenced grant which funds schools, Special Educational Needs and early years provision.

## **External placements**

The number of children placed in externally purchased services has been the main cause of pressure on the Care & Protection budget. The 2020/21 modelling predicted 177 children would require placements and at the end of March there were 180. Cost and volume pressures have resulted in an overspend of £6.36m in this area.

There were several placement changes during the year which helped the financial performance, including the reduction of seven placements in high cost, supported accommodation and no secure accommodation requirements.

During 2021/22, there will be a continuing focus on long term profiling and modelling to understand future funding and service delivery requirements.

## **SEN Transport**

Like areas within the Dedicated Schools Grant, SEN transport is also impacted by the increasing number of children and young people with an Education, Health and Care Plan (EHCP). SEN home to school transport is the responsibility of councils.

# NARRATIVE STATEMENT TO THE ACCOUNTS

From Dorset’s SEN2 return, it can be seen that between January 2020 and January 2021, there was an increase of 423 EHCPs, with the total number of children and young people with a Plan reaching 2,955. The overspend for SEN Transport is £1.8m.

Not all children and young people with an EHCP require school transport, but the majority do. This budget also supports children, who may not have an EHCP, who attend a Learning Centre.

During the Covid-19 lockdown periods a decision was made to pay our transport contracts in full in order to support the local economy, employment and to ensure those children who continued to attend educational settings were able to do so safely and in a Covid-compliant environment. Under normal circumstances contracts are very rarely paid in full due to child sickness, bank holidays and inset days, therefore this additional cost has also contributed to the 20/21 overspend position.

SEN Transport has seen sustained financial pressure in recent years as shown in Table 3

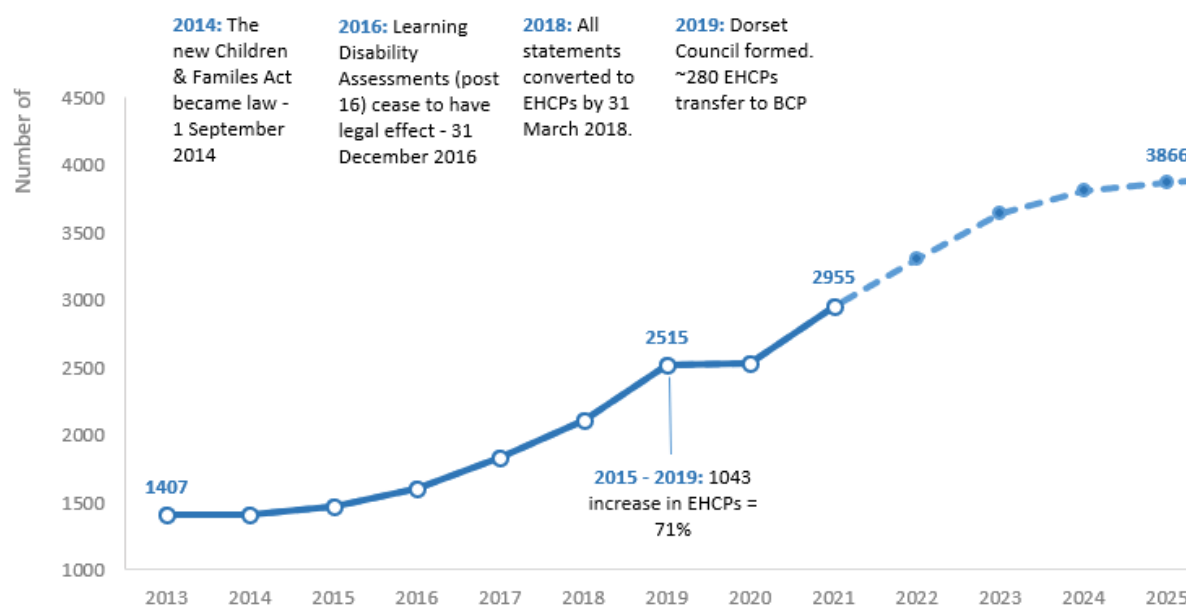
**Table 3**

Financial Year	Total expenditure (£m)
2018/19	9.09 (Pre LGR)
2019/20	9.23
2020/21	10.18

Based on modelling undertaken in February 2021, a forecast increase in the number of children and young people with an EHCP is expected. The majority will require school transport, and if no mitigating actions are implemented, costs will increase further.

**Chart 4**

## Number of Statements / EHCPs over time



## Trading

Covid-19 has had a significant impact on trading within Children’s Services. Through the Government’s Sales, Fees and Charges compensation scheme, £0.54m has been claimed. However not all lost income was a consequence of Covid-19.

During the year, a new model for delivering Children’s Services in Dorset was successfully launched (September 2020). The model brought together Early Help, Children’s Social

# NARRATIVE STATEMENT TO THE ACCOUNTS

Care, Educational Psychology, SEND (Special Educational Needs and/or Disabilities) and Inclusion services under the leadership of Heads of Locality and Strategy into six integrated locality teams across Dorset.

Coupled with improving inclusion in mainstream schools, Dorset Council has invested in early intervention, inclusion, and outreach services to schools. This has included deploying specialist teachers, educational psychologists, and inclusion officers to support schools in identifying needs and putting in place tools and strategies to support mainstream settings.

This is a fundamental change from the previous operating models that heavily involved trading these services with schools. Consequently, most of the lost trading income is attributable to the move to early identification and intervention strategies (through the new operating model) to avoid expensive specialist provision. This does not mean trading has ceased, but it will take a different form.

## **The impact of Covid-19**

Relatively little expenditure in the Directorate was recorded as directly attributable to Covid-19 expenditure (£0.726m). The expenditure included additional payroll costs to support children and families, including pay costs at The Cherries. The majority of the remaining spend was in support of our foster families.

## **Savings**

A £0.4m pressure from under-recovery of contributions towards placements from partner agencies was recorded in the financial year. These contributions are never certain but depend heavily upon the specific nature of children's needs. However, a project is in place to work with partner agencies to ensure that the right contributions are received in a timely manner.

## **Dedicated Schools Grant (DSG)**

The DSG is a ring-fenced grant, the majority of which is used to fund individual school budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.

Dorset's final DSG allocation was £259.6m and actual expenditure was £276.9m, resulting in an overspend of £17.3m. The cumulative DSG deficit at 1 April 2020 was £21.8m, so the position at 31 March 2021 was £39.1m.

The DSG is split into four blocks, £16.5m of the overspend is within the High Needs Block (HNB) and £0.7m in the Early Years Block (EYB). The other two blocks (Schools Block and CSSB) were very close to budget.

On the 6 November 2020, the Secretary of State for Housing, Communities and Local Government laid before Parliament a statutory instrument to amend The Local Authorities (Capital Finance and Accounting) Regulations. The new accounting practice has the effect of separating schools' budget deficits from local authorities' general funds for a period of three financial years. The £39.1m DSG deficit will not be part of Dorset Council's general fund but this remains a risk for the future as there is a lack of clarity about where any accumulated deficit sits when the statutory instrument's impact ceases.



# NARRATIVE STATEMENT TO THE ACCOUNTS

## **High Needs Block (HNB)**

The growth in the number of children and young people requiring an EHCP continues to be one of the main drivers for the HNB overspend.

From Dorset's SEN2 return, between the period January 2020 and January 2021, there was an increase of 423 EHCPs, with the total number of Dorset funded EHCPs reaching 2,955.

The Department for Education met with Council Officer and Members on 11 January 2021 to discuss progress against the Local Area's Accelerated Progress Plan. In response to the progress made by the Local Area, the Department for Education stated that:

"We are reassured that the strength and commitment of current leaders within the LA and CCG will continue improvements across the SEND system throughout Dorset."

"Based on the evidence provided, the Department and NHS England have concluded that you have demonstrated clear and sustained progress. This means that Dorset no longer requires formal monitoring of its SEND system."

Extensive work was undertaken in 2020/21 to establish a DSG model that shows the HNB returning to a balanced position in 2025/26, based on forecast EHCP growth and three key aims:

### **Robust monitoring of HNB spend**

Collaborating with Schools' Forum to reduce non-statutory spend but maintain early intervention and support. Working alongside Health to ensure joint funding is secured (such as for continuing healthcare placements).

### **Increase sufficiency**

The council's SEND Capital Strategy sets out a path to create up to 513 new places to target need in particular age brackets and primary need. During 2020/21 Dorset Council purchased the site of the former St Marys School in Shaftesbury, and has well developed plans to establish a school for children with SEN. The new school should be operational in early 2022.

### **Early intervention and inclusion**

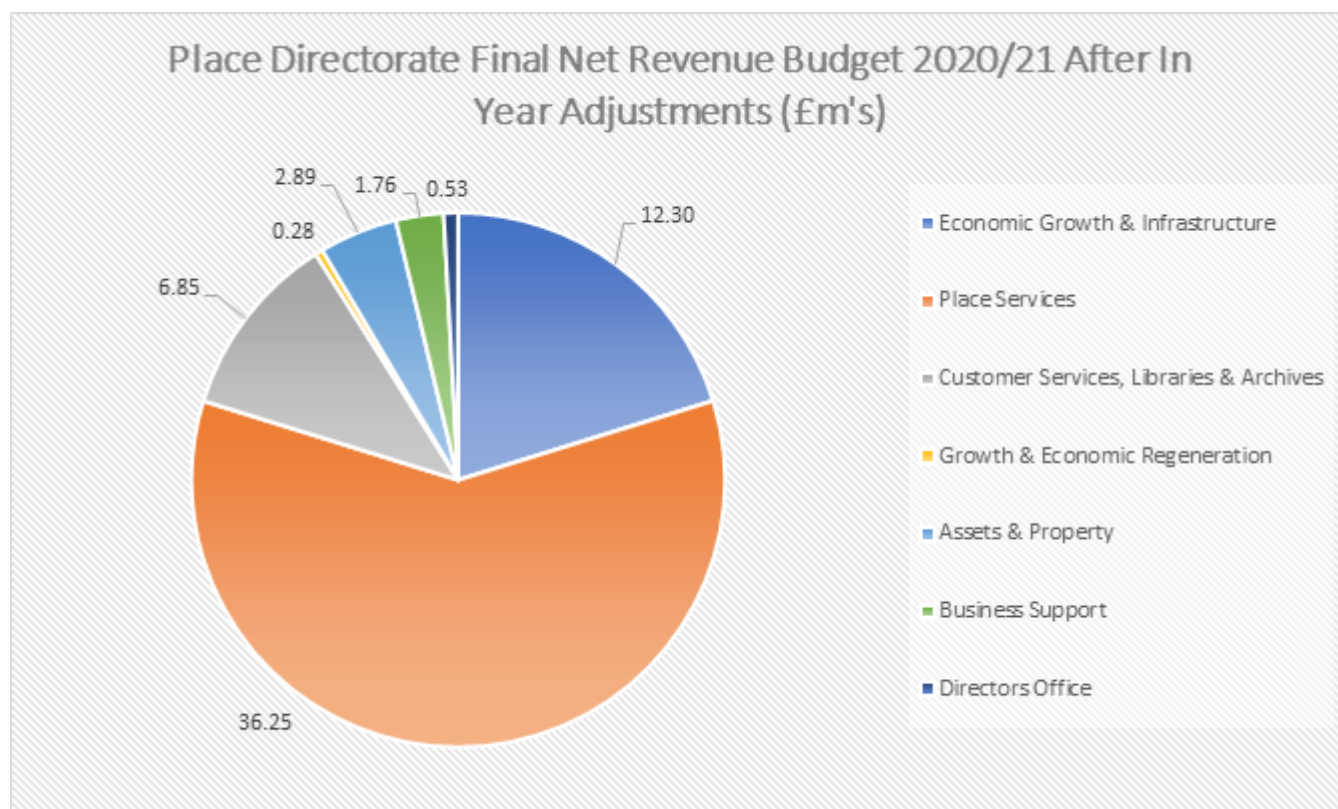
Using early identification and intervention strategies to improve outcomes for children and young people. This will reduce the likelihood that a child or young person would require a specialist placement as they grow older. Collaboration with our schools to ensure they are supporting children and young people through the notional SEN budget and ensure more children and young people can be supported in a mainstream setting.

### **Place Directorate**

The service areas within the Place Directorate include Assets & Property, Highways, Planning, Dorset Travel, Waste Services, Community & Public Protection, Environment & Wellbeing, Customer Services, Libraries & Archives, Economic Growth and Business Support. The final Place Directorate net budget for 2020/21, after in-year adjustments, was £60.853m, split out into each service area as detailed in the chart below.

# NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 5



The Directorate ended the year with an overspend of just over £5m. Activity was greatly disrupted during 2020/21 by the pandemic. High profile examples include disrupted income streams from the hotel rental income, significantly reduced income from car parks, and reduced income from commercial waste collections. Other areas had lower expenditure than budgeted due to the services being closed or reduced, such as Libraries and Customer Services. Other areas had unplanned, additional costs due to the pandemic, such as in Waste collection services where staffing costs were increased in order to keep collections going in a Covid-compliant way. £5.85m of compensation from the Sales, Fees & Charges scheme was received during the year.

The Place Directorate has many diverse services it delivers to the community;

- Approximately 1,500 staff work in the Directorate. The exact number fluctuates due to the need for some seasonal employment.
- Dorset Waste Service provides waste collection and disposal for over 200,000 properties, businesses and the local community in the Dorset Council area, plus street cleansing, commercial waste services and running Household Recycling Centres.
- Highways is responsible for maintaining 3,798km of carriageway and 1,336 other structures including bridges. The team also manages 47,854 streetlights, illuminated signs and bollards. The Highways Team also manages all of the Council's on-street and off-street car parking operations.
- Dorset Travel manages travel for over 10,000 passengers per day, on over 500 routes covering schools.
- The Assets & Property service manages and maintains, for safety, compliance and operational continuity, an estate of over 1,400 property assets which include 450 commercial assets as well as coastal and flood defence assets and infrastructure. We

# NARRATIVE STATEMENT TO THE ACCOUNTS

secured £6.778m income from our estate and commission and deliver capital projects/expenditure in excess of £20m each year.

- The Planning service would expect to receive approximately 5,000 planning applications per annum.
- Community Protection manages many services including Registration Services, Coroners, Trading Standards, Bereavement Services, Licensing & Community Safety, Environmental Protection & Food Safety, and Port Health.
- Registration Services registered 1,461 births and 4,095 deaths and conducted 423 marriages and 64 civil partnerships.
- Due to the pandemic and the need for Food Safety Service staff to deal with around 1,600 complaints, enquires regarding Covid and the investigations of Covid outbreaks with PHE, the food inspection programme was suspended by the FSA and the service was asked to prioritise new businesses/ high risk premises and official controls to ensure that food is safe to eat.
- Customer Services provide information and advice, signposting to community resources, completing applications, processing payments and promoting on-line services through telephony, face-to-face, email and digital channels. It handles over 330,000 contacts a year ranging from simple transactional requests to far more complex enquiries such as adult social care.
- The Economic Growth & Regeneration team assist many businesses within the Dorset Council area, and particularly so over the past year to assist recovery from the impact of the Pandemic through the delivery of business support grants and information.
- Leisure Services manage seven owned or operated Leisure Centres with over 6,000 members paying monthly.
- Is responsible for three harbours (Weymouth, West Bay and Lyme Regis).
- Greenspace is also responsible for maintaining almost 4,828km of Rights of Way and thousands of km of highway verge. The Service also manages four country parks (Moors Valley, Avon Heath, Durlston and Thorncombe Woods), and 1,418 square km of areas of outstanding natural beauty, covering 55% of its total land area, 141 sites of special scientific interest, covering 18,730 hectares, 14 national nature reserves – Local reserves such as Thorncombe Woods, 59 regionally important geological and geomorphological sites (with further sites under consideration), 1,294 sites of nature conservation interest, 95 km of heritage coast and 112 km of the Jurassic Coast World Heritage Site.
- 86% of British mammal species can be found in Dorset, along with 69% of our birds, 78% of our butterflies, 67% of our dragonflies and all of our native reptiles and amphibians.

## **Corporate Services**

Corporate Services is the collective name for services across Corporate Development and Legal Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.

The net budget for Corporate Services was £33.6m and the in-year performance was an underspend of £0.33m, largely relating to vacancy management, savings from convergence of legacy budgets and early achievement of savings planned for 2021/22.

# NARRATIVE STATEMENT TO THE ACCOUNTS

Additional expenditure in response to Covid-19 totalled £2.85m during the financial year. This was predominantly the purchase of personal protective equipment (PPE), temporary mortuary costs, grants issued to help shielding activities and additional staffing costs. This was funded from the additional grant funding the Council received from Government.

## **Developing the 2021/22 budget**

2021/22 was the third budget for Dorset Council. The improved settlement from Government and the resources released from support services through reorganisation meant that considerable extra funding could be added to budgets for front line services. The link, earlier, to the budget report in this narrative statement can be used to see more details of the resources allocated to respective services and the process used to develop the budget strategy for 2021/22.

For 2021/22 Dorset Council set a net budget of £312.4m, funded from general grants (£4.2m), business rates (£44.3m) and council tax (£263.9m) meaning a band D equivalent council tax charge of £1,779.39.

## **Future funding prospects**

Development of the next iteration of the MTFP will be extremely challenging, especially against the potential backdrop of a single-year spending review mentioned elsewhere.

There is therefore considerable uncertainty even in the first year of the plan being developed, as there is currently a significant amount of funding which is still not incorporated into the Council's baseline funding but is instead rolled-forward as one-off funding.

## **Borrowing, servicing of debt and liquidity**

The Council's overall borrowing stood at £221m at the end of the year, a net increase of approximately £4m during the year.

Just over £42m of the debt is repayable within the next 12 months with the remainder being scheduled in line with the treasury management strategy principles on maturity. Average interest rates payable through the Public Works Loan Board (PWLB) are 3.94% and 3.23% with other lenders.

Interest payable (including PFI and leases) during the year was £9.6m and interest receivable plus other investment income was £3.5m.

The prudential borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Details of the Council's capital financing requirement is set out in note 26 to the accounts. As noted, external borrowing was £221m, with the remainder financed temporarily from the Council's own cash resources.

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due. This included the significant quantum of Government grants that were distributed through the Council during the year.

More information on debt and liquidity is routinely included in reports to the Council's Cabinet and Audit & Governance Committee. All reports are available on the website.

## **Covid-19**

At the time of preparing these financial statements in draft, the UK is easing lockdown measures, more businesses are reopening, and previous patterns of behaviour are returning. However, it will be some time before the financial impact of the response to and recovery from Covid-19 pandemic becomes clear.

# NARRATIVE STATEMENT TO THE ACCOUNTS

Government paid more than £303.8m in Covid-19 funding to Dorset Council which has been distributed to businesses and individuals through more than fifty schemes, including the various business grants schemes, extended business rates reliefs, the hardship fund and infection control grants.

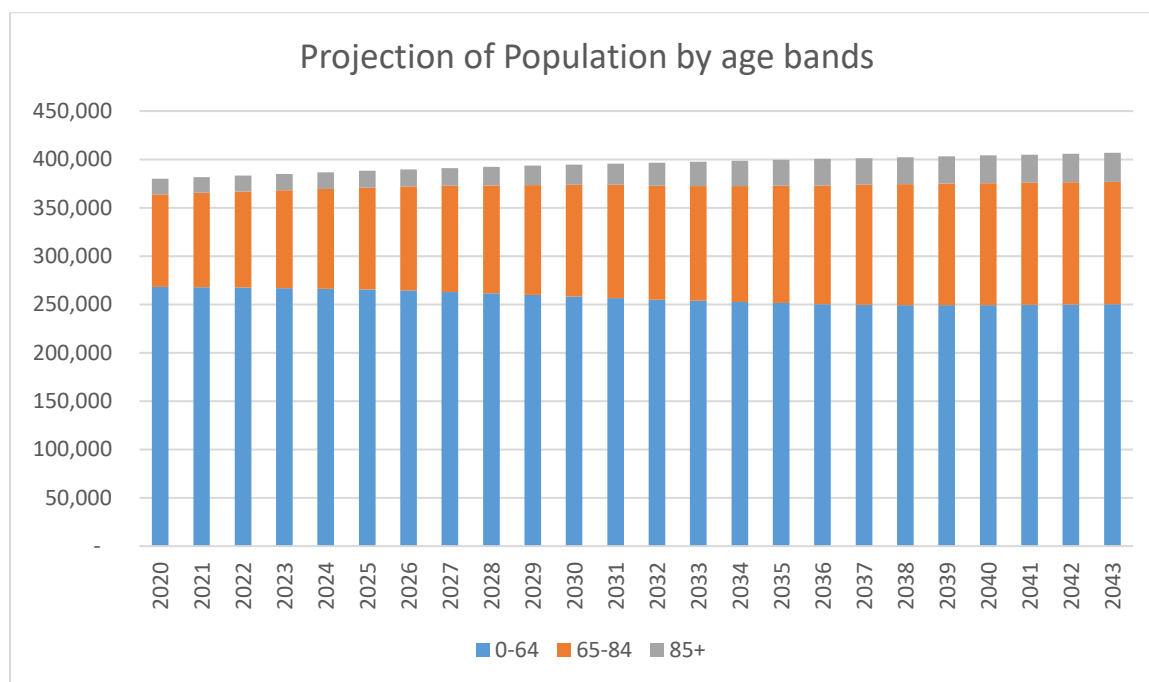
Non-essential services such as leisure centres, libraries and country parks were closed during some lock down periods, and staff working in these areas were supporting the response to the pandemic. Council offices were closed to the public except for essential face to face appointments. Staff have worked from home where it has been possible.

## Population Data

The Council provides services to a total estimated population of 381,657 (2020 being 379,901), with the projection for 2022 being 383,375.

Projections summarised in chart 6 show the population of Dorset's residents with an estimated 26% being between 65 years of age and 84 years of age, and 4% being over 85 years of age in 2021. These numbers are steadily growing, with an estimated 33% being between 65 years of age and 84 years of age and 8% over 85 years of age by 2043.

Chart 6

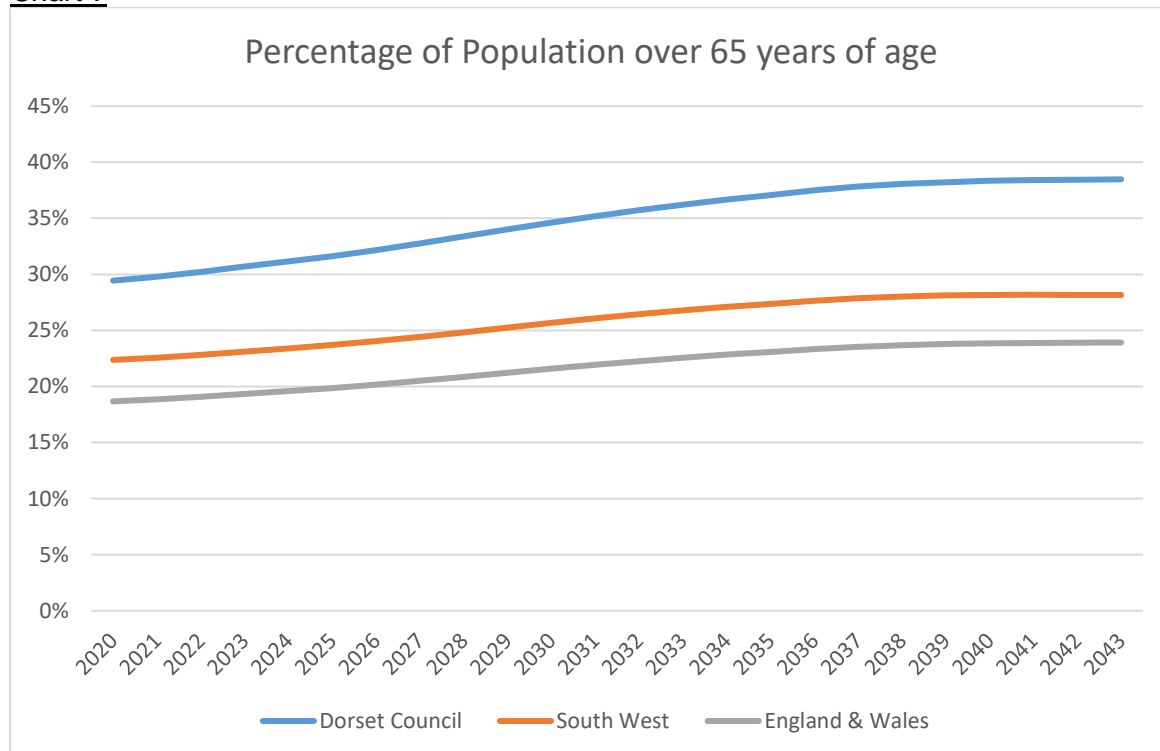


Source: 2018 Population Projections, Office for National Statistics (ONS)

The percentage of the population over 65 between 2020 and 2043 in the area served by Dorset Council is shown in chart 7. Compared with the South West as well as England & Wales, a larger proportion of the population served by Dorset Council is older.

# NARRATIVE STATEMENT TO THE ACCOUNTS

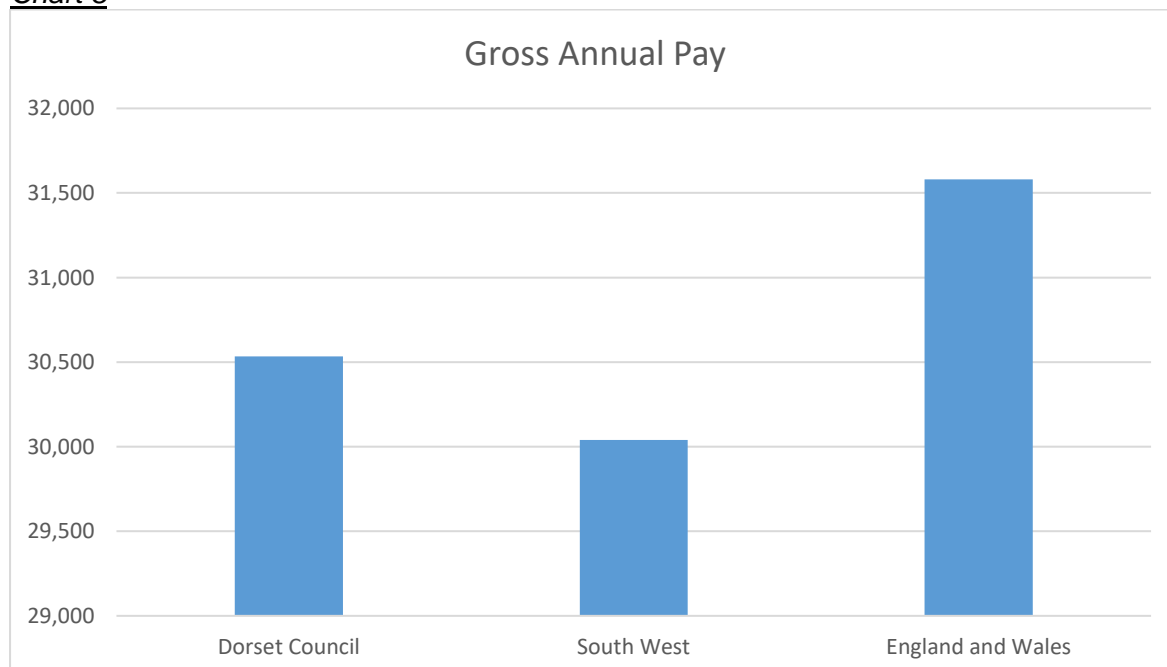
**Chart 7**



Source: 2018 Population Projections, Office for National Statistics (ONS)

The average, full-time earnings for the area served by the Council is shown in chart 8, below, compared with the South West and with England & Wales. The full-time earnings for Dorset are higher than for the South West, and lower than for England & Wales.

**Chart 8**

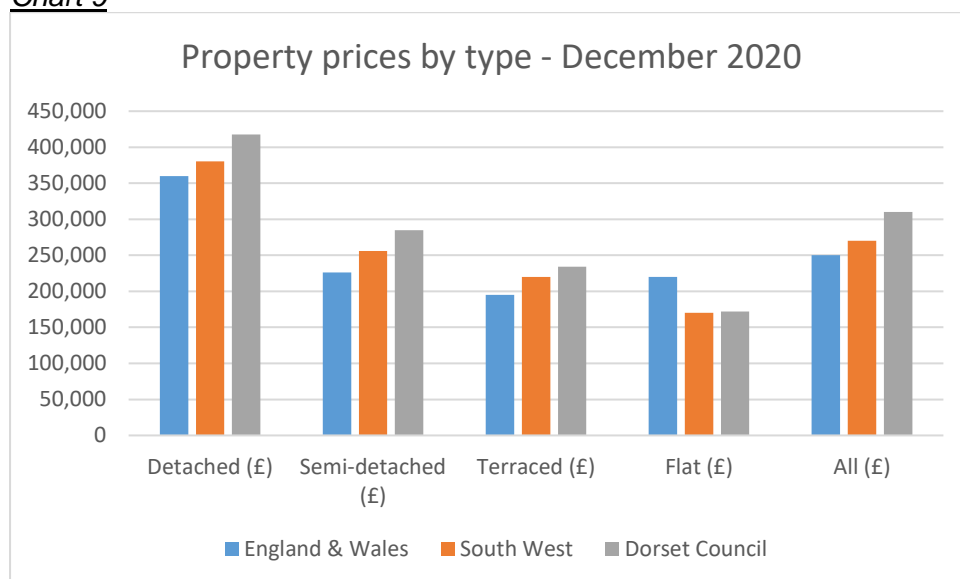


Source: Annual Survey of Hours and Earnings 2019, Office for National Statistics.

The average price of properties in the area served by the Council is shown below, in chart 9, compared with the South West and with England & Wales. The average price of properties is higher than the South West region, and higher than for England & Wales, except for flats.

# NARRATIVE STATEMENT TO THE ACCOUNTS

**Chart 9**



Source: House Price Statistics for Small Areas (HPSSAs), Office for National Statistics

## Reserves and balances

A full analysis of the Council's reserves is provided in the financial statements and in the notes to the accounts.

The Council closed the year with usable reserves of £274m. This was after repurposing nearly £15m of reserves to support budget pressures realised during the year to support the impact on the general fund. As mentioned elsewhere, the Cabinet also agreed a new reserves strategy following a review as part of the outturn report in June 2021.

The vast majority of the Council's reserves are already earmarked for specific purposes or can only be used for certain types of expenditure and is therefore not available for general use (despite the generic description *usable reserves*). Use of reserves would also be unsustainable for the Council as part of budget setting strategy and this is specifically mentioned in the reserves strategy statement.

The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose) is set out in note 49 and amounts to £31m as agreed by Cabinet when the 2021/22 budget was agreed.

## Provisions, contingencies and contingent assets

Movements in provisions, contingent and other long-term liabilities are disclosed in the notes to the financial statements. There have been no material changes to policy or to amounts during the Council's second year of operation.

## Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year.

## Group financial statements

Having considered the relationships that exist between the Council and partners with whom it operates jointly/together, the chief Finance Officer has concluded there is no material requirement to prepare consolidated financial statements. Further disclosures on the nature and value of relationships with partners are provided in the notes to the financial statements.

# NARRATIVE STATEMENT TO THE ACCOUNTS

## Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements but reference is made to the earlier note on the Covid-19 pandemic.

## Pension Fund

Dorset Council is the local administering authority for the Local Government Pension Scheme (LGPS), a contributory, defined benefit pension scheme that provides pensions and other benefits for employees of Dorset Council, other councils and a range of other bodies within Dorset.

Benefits for scheme members are calculated based on factors such as age, length of membership and salary, and are funded by contributions from scheme members and their employers and from returns on contributions invested prior to benefits becoming payable.

Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities.

Administering authorities are required to maintain a pension fund for the payment of benefits, and the Council publishes annual accounts for the pension fund separately from these financial statements.

The Council is the scheme's largest employer in Dorset with 6,300 current employees contributing to the scheme and 9,300 former employees of the Council or its predecessor authorities receiving pensions.

As at 31 March 2021, the pension fund's assets were valued at £3.3bn in total, with Dorset Council's 'share' available to fund benefits estimated by the actuary to be approximately £1.2bn.

Every three years, the actuary undertakes a full assessment of the funding position for all scheme employers to set their contribution rates for the next three years. The last such actuarial valuation was based on assets and liabilities as at 31 March 2019 and estimated Dorset Council's deficit (the difference between assets and liabilities) to be approximately £115m, recoverable through employer contributions over 19 years.

In addition, the actuary is required, every year, to undertake an indicative assessment of the funding position for disclosure in the accounts of scheme employers. Accounting standards require this assessment to assume that the return on the pension fund's investments is equal to the expected return from high quality corporate bonds which is significantly lower than the expected returns from the pension fund's actual portfolio of investments. This means that the deficit reported in the accounts is significantly higher than the triennial valuation used to set contribution rates and the Council's accounting deficit was estimated at £988m as at 31 March 2021.

## Basis of preparation

The accounts for 2020/21 are prepared in accordance with:

- the Accounts and Audit Regulations 2015 (as amended)\*
- the CIPFA Code of Practice on Local Authority Accounting 2020/21

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2021. This includes an interpretation of the financial statements, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.



# NARRATIVE STATEMENT TO THE ACCOUNTS

\* The Regulations have been amended for 2020/21, so that the accounts must be approved by the Council or a committee with delegated responsibility (the Audit & Governance Committee) by 30 September rather than by 31 July.

Dorset Council's primary financial statements comprise:

i) Comprehensive income and expenditure statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the movement in reserves statement.

ii) Balance sheet (statement of financial position)

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. Reserves are reported in two categories. The first category is usable reserves, i.e. those 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 unapplied 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 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*.

iii) Movement in reserves statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves. The movement in reserves statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the movements in the general fund in the year following those adjustments.

iv) Cash flow statement

The cash flow statement shows the changes in the Council's cash and cash equivalents in the year. 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 authority 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.

# NARRATIVE STATEMENT TO THE ACCOUNTS

v) Notes to the financial statements

These give further information and explanations of the figures in the primary financial statements.

vi) Collection fund

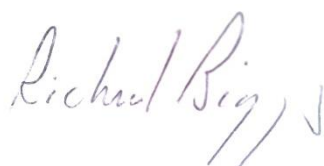
The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

The external auditors, Deloitte LLP, have issued a qualified opinion on the 2020/21 Statement of Accounts. This qualification is solely in relation to the opening balance of the National Non-Domestic Rates (NNDR) appeals provision on the basis this was too high. The external auditors previously issued a qualified opinion in 2019/20 due to this matter, and as the 2019/20 balances form the opening balances in the 2020/21 Statement of Accounts, it is necessary for the external auditors to qualify the 2020/21 Statement of Accounts as well. However, the 2020/21 closing NNDR appeals provision is not qualified as our external Auditors are satisfied that balances are materially correct.

The Council believes that the NNDR appeals provision included in the opening balances is based on the best available information that the Council had at 31 March 2020. The external auditor's opinion has reported that they were unable to obtain sufficient appropriate audit evidence to support the opening balance, due to a lack of available information from the Valuation Tribunal [which is an external body] on the claim success rate to assess the required provision.



**Aidan Dunn**  
**Executive Director, Corporate Development**  
**Chief Financial Officer**  
**20 February 2024**



**Councillor Richard Biggs**  
**Chair, Audit and Governance Committee**  
**20 February 2024**



## STATEMENT OF RESPONSIBILITIES

The following statement describes the respective responsibilities of the Council and the Chief Financial Officer for the Financial Statements.

### The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Further information about policies, procedures, publications and contact details for the Council and other relevant local authorities can be found on the [dorsetforyou.com](http://dorsetforyou.com) or [dorsetcouncil.gov.uk](http://dorsetcouncil.gov.uk) website.

### The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.



Aidan Dunn  
**Executive Director (Corporate Development)**  
**(Chief Financial Officer)**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

		2019/20	For the year ended 31 March 2021		2020/21		
Restated Gross Spending £'000	Restated Gross Income £'000	Restated Net Spending £'000		Note	Gross Spending £'000	Gross Income £'000	Net Spending £'000
			<b>Gross Spending, Gross Income, Grants &amp; Net Expenditure on Continuing Operations</b>				
140,001	36,740	103,261	Adult Care Service User Related		183,276	72,313	110,963
18,691	4,655	14,036	Adult Care Operations		19,171	4,539	14,632
13,368	7,131	6,237	Commissioning		13,063	6,906	6,157
3,908	1,260	2,648	Director's Office		3,589	166	3,423
8,281	3,552	4,729	Housing		10,324	5,418	4,906
<b>184,249</b>	<b>53,338</b>	<b>130,911</b>	<b>People - Adults</b>		<b>229,423</b>	<b>89,342</b>	<b>140,081</b>
101,162	85,062	16,100	Financial and Commercial		89,190	80,312	8,878
4,171	1,337	2,834	Human Resources		4,259	1,335	2,924
1,667	1	1,666	Digital & Change		2,074	70	2,004
12,191	880	11,311	ICT Operations		12,448	803	11,645
3,666	(4)	3,670	Director's Office		342	-	342
1,941	170	1,771	Business Intelligence and Performance		1,202	1	1,201
1,561	112	1,449	Communications and Engagement		1,220	3	1,217
-	-	-	Community Grants		1,807	133	1,674
2,341	149	2,192	Superfast Broadband		2,705	2,462	243
-	-	-	Chief Executive's Office		973	-	973
-	-	-	Dorset Care Record		2,678	2,281	397
-	-	-	Transformation		996	-	996
<b>128,700</b>	<b>87,707</b>	<b>40,993</b>	<b>Corporate Development</b>		<b>119,894</b>	<b>87,400</b>	<b>32,494</b>
47,187	25,523	21,664	Highways		43,009	19,404	23,605
7,789	4,074	3,715	Planning		8,846	4,603	4,243
15,365	744	14,621	Dorset Travel		15,788	2,654	13,134
716	2	714	Business Support		1,874	1	1,873
20,450	12,844	7,606	Environment and Wellbeing		19,444	8,738	10,706
8,394	3,992	4,402	Environmental Protection & Public Health		6,880	2,793	4,087
40,096	10,158	29,938	Waste Services		22,894	4,561	18,333
-	-	-	Commercial Waste & Strategy		14,949	502	14,447
9,124	1,541	7,583	Customer Services		8,463	925	7,538
1,741	701	1,040	Growth & Economic Regeneration		1,151	761	390
1,372	16	1,356	Director's Office		1,962	-	1,962
27,089	7,924	19,165	Assets and Property		21,958	7,133	14,825
<b>179,323</b>	<b>67,519</b>	<b>111,804</b>	<b>Place</b>		<b>167,218</b>	<b>52,075</b>	<b>115,143</b>
49,666	1,310	48,356	Care & Protection		57,652	2,084	55,568
10,386	2,389	7,997	Commissioning & Partnerships		11,337	2,091	9,246
18,029	3,463	14,566	Education & Learning		86,923	3,531	83,392
6,605	1,756	4,849	Director's Services		7,753	3,354	4,399
190,190	175,439	14,751	DSG Services		133,518	171,091	(37,573)
-	-	-	DSG Recharges		-	1,029	(1,029)
<b>274,876</b>	<b>184,357</b>	<b>90,519</b>	<b>People - Children</b>		<b>297,183</b>	<b>183,180</b>	<b>114,003</b>
3,788	156	3,632	Assurance		3,112	232	2,880
4,534	1,290	3,244	Democratic & Electoral Services		2,875	164	2,711
343	803	(460)	Land Charges		289	937	(648)
2,557	121	2,436	Legal Services		2,752	90	2,662
<b>11,222</b>	<b>2,370</b>	<b>8,852</b>	<b>Legal &amp; Democratic Services</b>		<b>9,028</b>	<b>1,423</b>	<b>7,605</b>
-	-	-	Public Health Joint Partnership Funding		2,162	11,934	(9,772)
28,950	28,001	949	Public Health		28,382	29,102	(720)
<b>28,950</b>	<b>28,001</b>	<b>949</b>	<b>Partnerships</b>		<b>30,544</b>	<b>41,036</b>	<b>(10,492)</b>
<b>17,215</b>	<b>47</b>	<b>17,168</b>	<b>Centrally Managed Costs</b>		<b>23,528</b>	<b>162</b>	<b>23,366</b>
<b>824,535</b>	<b>423,339</b>	<b>401,196</b>	<b>Deficit on Provision of Services</b>		<b>876,818</b>	<b>454,618</b>	<b>422,200</b>
			<b>Other Operating Income &amp; Expenditure</b>				
(4,815)	-	(4,815)	Net loss/(gain) on disposal of non-current assets		38	760	(722)
15,894	112	15,782	Levies and Precepts		16,636	100	16,536
			<b>Financing &amp; Investment Income &amp; Expenditure</b>				
7,432	-	7,432	Interest Payable	21	7,719	-	7,719
-	3,563	(3,563)	Interest and Investment Income	21	-	3,480	(3,480)
8,791	-	8,791	Unrealised (gains)/losses on Investments	21	-	9,271	(9,271)
9,336	-	9,336	Premium on early repayment of Borrowing		-	-	-
15,202	-	15,202	Net loss on disposal of Academies		17,211	-	17,211
19,127	-	19,127	Pensions Interest Cost & Expected Return on Assets	23	18,403	-	18,403
<b>895,502</b>	<b>427,014</b>	<b>468,488</b>	<b>Net Operating Expenditure</b>		<b>936,825</b>	<b>468,229</b>	<b>468,596</b>
			<b>Taxation &amp; Non-Specific Grant Income</b>				
		(50,129)	Non-Domestic Rates				(51,642)
		(256,076)	Council Tax				(266,192)
		(31,494)	Other Central Grants				(47,117)
		(43,112)	Capital Grants				(71,306)
		<b>(380,811)</b>	<b>Total Finance</b>				<b>(436,257)</b>
		<b>87,677</b>	<b>Deficit for the Year</b>				<b>32,339</b>
			<b>Items that will not be reclassified to the (surplus)/deficit on the provision of services</b>				
		(54,507)	(Surplus) on the revaluation of Property, Plant & Equipment				(25,634)
		(52,533)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				175,377
		<b>(19,363)</b>	<b>Net Comprehensive (Income)/Expenditure</b>				<b>182,082</b>

This statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

As at 31 March 2020 Restated			As at 31 March 2021	
£'000	£'000	Note	£'000	£'000
5,897			4,683	
458,084			456,844	
27,741			25,811	
425,498			421,071	
11,722			11,678	
29,295			50,090	
16,956			17,094	
	975,193	22		987,271
	3,307	28		3,250
	20,467			20,414
	10,346	29		10,636
	1,009,313			1,021,571
1,376		30	1,468	
67,858		31	81,420	
55,582			64,900	
8,530		33	4,937	
31,537		34	83,619	
164,883			236,344	
(37,196)		35	(42,197)	
(101,102)		36	(143,489)	
(21,997)		37	(17,349)	
(160,295)			(203,035)	
	4,588			33,309
	1,013,901			1,054,880
(180,033)		35	(178,999)	
(23,961)		11	(22,289)	
(57)			(57)	
(2,993)		12	(2,662)	
(761,904)		23	(988,002)	
	(968,948)			(1,192,009)
	44,953			(137,129)
30,771		49	38,406	
85,415		48	146,554	
(325)		46	3,599	
51,193		42	84,979	
	167,054			273,538
-		15	(39,095)	
(915)		47	(24,412)	
183,125		43	196,750	
(761,904)		23	(988,002)	
480,758		40	459,981	
(4,891)		41	(7,484)	
1,140			1,140	
(5,629)		44	3,642	
(13,785)		45	(13,187)	
	(122,101)			(410,667)
	44,953			(137,129)

The Balance Sheet is a record of the financial position of the Council at 31 March 2021. Figures relating to the Dorset County Pension Fund are excluded, except amounts specific to the Council, e.g. the Pensions Liability and Pensions Reserve. The summarised Pension Fund Accounts are set out in separate statements in a separate document. Detailed notes supporting the Balance Sheet are shown later in this document.

# STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	Restated	Restated			Restated	Restated	Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Note	49	48	46	42			
<b>Balance as at 31 March 2019</b>	14,972	105,049	12,975	49,622	182,618	(156,998)	25,620
<b>Movement in reserves during 2019/20</b>							
Surplus/(Deficit) for the year	(87,677)				(87,677)	-	(87,677)
Total Other Comprehensive Income/(Expenditure)	-	-	-	-	-	107,040	107,040
Total Comprehensive Income/(Expenditure)	(87,677)	-	-	-	(87,677)	107,040	19,363
Net Increase/(Decrease) before Transfers	(87,677)	-	-	-	(87,677)	107,040	19,363
Total adjustments between accounting basis and funding basis under regulations (note 10)	77,363	6,478	(13,300)	1,571	72,112	(72,143)	(31)
Total transfers	26,113	(26,113)	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	30,771	85,415	(325)	51,193	167,054	(122,101)	44,953

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Note	49	48	46	42			
<b>Balance as at 31 March 2020</b>	30,771	85,415	(325)	51,193	167,054	(122,101)	44,953
Reporting of Schools Budget Deficit to new Adjustment Account as at 1 April 2020	-	21,803			21,803	(21,803)	-
	30,771	107,218	(325)	51,193	188,857	(143,904)	44,953
<b>Movement in reserves during 2020/21</b>							
Surplus/(Deficit) for the year	(32,339)				(32,339)	-	(32,339)
Total Other Comprehensive Income/(Expenditure)	-	-	-	-	-	(149,743)	(149,743)
Total Comprehensive Income/(Expenditure)	(32,339)	-	-	-	(32,339)	(149,743)	(182,082)
Net Increase/(Decrease) before Transfers	(32,339)	-	-	-	(32,339)	(149,743)	(182,082)
Total adjustments between accounting basis and funding basis under regulations (note 10)	74,900	4,410	3,924	33,786	117,020	(117,020)	-
Total transfers	(34,926)	34,926	-	-	-	-	-
<b>Balance as at 31 March 2021</b>	38,406	146,554	3,599	84,979	273,538	(410,667)	(137,129)

## Cash Flow Statement

Restated As at 31 March 2020	<i>Note</i>	As at 31 March 2021
(87,677) Net surplus or (deficit) on the provision of services		(32,339)
166,427 Adjustment to surplus or deficit on the provision of services for noncash movements	50	143,834
(4,097) Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	(4,432)
<u>74,653</u> Net Cash flows from operating activities		<u>107,063</u>
(43,348) Net Cash flows from Investing Activities	51	(56,945)
(20,413) Net Cash flows from Financing Activities	52	1,964
<u>10,891</u> Net increase or (decrease) in cash and cash equivalents		<u>52,082</u>
20,646 Cash and cash equivalents at the beginning of the reporting period		31,537
31,537 Cash and cash equivalents at the end of the reporting period		83,619
<u>10,891</u> Change in cash and cash equivalents during the reporting period		<u>52,082</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting standards that have been issued but not yet adopted

Appendix C of the CIPFA Code of Practice requires Local Authorities 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 by the Code for the relevant financial year. Standards that fall into this category are:

### Definition of a Business: Amendments to IFRS 3 Business Combinations

### Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS7

### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

All of these standards will be incorporated into the Code from 2021/22 and will be complied with by the Authority. However, none have a material impact for the Council and none warrant specific disclosure in these accounts.

Annually, Appendix C of the Code confirms the requirements of accounting standards that have been issued and not yet adopted and the 2021/22 Code will confirm these for the 2020/21 financial year. Appendix C of the 2021/22 Code only includes standards adopted in the Code and therefore for 2020/21 this excludes IFRS 16 Leases and IFRS 17 Insurance Contracts from being included in these reporting requirements.

## 2. Related party transactions

### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

Significant grants are received from the Department for Education, the Ministry for Housing, Communities & Local Government and the Department for Health and Social Care. Other Government Departments provide smaller levels of grant.

Specific Grants are set out in disclosure note 14 to the accounts.

### Other Local Authorities and Bodies levying demands on the council tax

Levies and precepts paid to other bodies during 2020/21 included the following material transactions: -

2019/20		2020/21
Restated		
£'000		£'000
528	Environment Agency	541
204	Southern Sea Fisheries Committee	196
15,162	Parish Precepts	15,899

Dorset Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other admitted bodies (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts.

Dorset Council is involved in the Stour Valley and Poole Partnership (SVPP), a function that is hosted by Bournemouth Christchurch and Poole Council which administers council tax, business rates and housing benefit on behalf of two of the predecessor council areas of Dorset Council. During 2020/21, Dorset Council charged £1,741k to the 2020/21 accounts for services from SVPP (£1,616k for 2019/20).

Transactions with Bournemouth, Christchurch and Poole Council, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 24.

### Disclosure of interests in other entities

#### Dorset Development Partnership

Dorset Council inherited Limited Liability Partnerships from three predecessor district councils and the County Council. The partnerships were established to build value, over and above the latent market value, for land and/or buildings identified as surplus to the councils' requirements. Not all surplus assets have potential for increased value, but those that do are subject to the partnership's process of de-risking and being made more saleable. The partnerships have an accounting date of 31 March.

The partnership incurs the costs accrued in making the assets more saleable and these costs are financed jointly through loans from PSP Facilitating Ltd. and retained profits of both partners. The partners share the profits and losses of the partnership and the Council is guaranteed a minimum receipt from the sale of the assets.

The partnerships were dissolved as at 31 March 2021.

#### South West Audit Partnership (SWAP)

SWAP is a company limited by guarantee; a local authority controlled company which started trading on 1 April 2013. The guarantors are all local authorities, Dorset Council being one of them. Dorset Council's influence in SWAP has significantly diminished over the years, given the expansion of the company. Theoretically, SWAP could fall to be treated as a joint venture but as the results of this treatment would not be material for Dorset Council, group accounts are not appropriate. SWAP's financial statements are available from the Company's website [www.swapaudit.co.uk](http://www.swapaudit.co.uk)

Dorset Council charged £532k to the 2020/21 accounts (£560k for 2019/20) for services received by SWAP.

#### TRICS Consortium Ltd.

TRICS Consortium Ltd. was incorporated on 14 October 2014 by Dorset County Council and five other local authorities. Each member owns £37.5k of fully-paid-up, ordinary shares in the company and appoints a director to the company's Board.



## NOTES TO THE FINANCIAL STATEMENTS

Again, the Company could theoretically be treated as a joint venture but the results would not have a material impact on Dorset Council's reported position so they are not consolidated into group accounts. Financial statements for TRICS are available from the Company's website [www.TRICS.org](http://www.TRICS.org)

During 2020/21 Dorset Council received a dividend of £99k from the Company (£90k for 2019/20) and was charged £3k to the accounts for services purchased from the Company (£3k for 2019/20).

### Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole launched Tricuro. Tricuro is a group that was established under local authority trading company principles to deliver the councils' adult social services business, with staff transferring from each of the authorities in order to provide care services.

With reorganisation of local government in Dorset, each new council owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2020/21 was £45.6m (£42.3m for 2019/20). Dorset Council is contracted to provide support services to Tricuro; the value of this contract was £932k for the period to 31 March 2021 (£1,043k for 2019/20). Dorset Council charged £23,736k to the accounts for 2020/21 (£22,175k for 2019/20) on account of services delivered by Tricuro.

On 1 April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Corporate Director Legal & Democratic is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Council supplied services to related parties as detailed in the following table.

2019/20 £'000		2020/21 £'000
42	Dorset & Wiltshire Fire and Rescue Authority	34

At the end of the financial year, amounts owed by related parties were as follows: -

2019/20 £'000		2020/21 £'000
32	Dorset & Wiltshire Fire and Rescue Authority	1

### Elected Members, Staff and close families

All Councillors, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure. Some Councillors and Senior Officers have a role or are appointed by the Council to boards of voluntary bodies or charities in receipt of support from the Council.

A number of councillors have disclosed that they have received Covid business grants administered by the Council. These are grants available to any business that meets the grant criteria. None of the payments were material in terms of the accounts and Revenues and Benefits colleagues are satisfied that they have proper procedures in place to ensure that grants are paid only to qualifying businesses. Proper procedures also apply to the Additional Restrictions Grant which the Growth and Economic Regeneration Service delivers.

Councillor Mark Roberts is a director of Daley Homecare Ltd. which has a contractual relationship with the Council to provide adult social and health care services. Daley Homecare Ltd was paid £162k by the Council during 2020/21, including Covid business grants administered by the Council (£143k for 2019/20). There were no creditors, and no income or debtors for Dorset Council as at 31 March 2021.

A close family member of Cllr. Noc Lacey-Clarke provides educational consultancy services to the Council. Payments of £3k were made by the Council during 2020/21.

### 3. a) Disclosure of nature and extent of risk arising from financial instruments

In line with CIPFA's Code of Practice on Treasury Management, the Council approves a treasury management strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also maintains treasury management practices specifying the practical arrangements to be followed to manage these risks.

The main risks covered are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be 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 rate movements.

# NOTES TO THE FINANCIAL STATEMENTS

## Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways: -

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum exposure to the maturity structure of its debt in any one time period;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. An annual review of actual performance and a mid-year update are also reported to Councillors.

These policies are implemented by a central treasury team. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## Credit risk

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

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2021 was £9.1m.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% (as estimated by Moodys credit ratings agency) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2021, £nil (2020: £nil) of loss allowances related to treasury investments.

## 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 Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). 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 it will be unable to raise finance to meet its commitments under financial instruments.

## Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council-approved treasury and investment strategies address the main risks and the central treasury team addresses 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 to provide stability of maturities and returns in relation to the longer-term cash flow needs.

# NOTES TO THE FINANCIAL STATEMENTS

## Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall.

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. As at 31 March 2021 the Council had no variable rate borrowing or investments.

Movements in the value of investments that have a quoted market price will be treated as fair value through profit or loss (FVTPL), unless the investments have been designated as fair value through other comprehensive income (FVOCI). As at 31 March 2021 the Council had no such investments designated as FVOCI.

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m per fund. A 5% fall in commercial property prices at 31st March 2021 would result in a £1.0m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £20m per fund. A 5% fall in share prices at 31st March 2021 would result in a £1.8m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

**3. b) Financial instruments**

IFRS 9 Financial Instruments was incorporated into the CIPFA Code with effect from 1 April 2018. It specifies how an entity should classify and measure financial assets, financial liabilities and some contracts to buy or sell non-financial items. It requires an entity to recognise a financial asset or a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are accounted for at either amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI).

**Assets Held for Sale**

All of the Council's assets held for sale are non-current, physical assets rather than equity assets. These have been valued in accordance with the appropriate accounting policies and are shown in note 22 to the Accounts.

**Financial Instrument Balances**

The financial assets and liabilities at 31 March include the following categories of financial instruments:

2019/20 Restated		<u>Financial Assets</u>	2020/21	
Long-Term £'000	Current Restated £'000		Long-Term £'000	Current £'000
20,467	55,582	<b>Investments in pooled funds (FVTPL)</b>	<b>20,414</b>	<b>64,900</b>
10,346	50,154	<b>Debtors (amortised cost)</b>	<b>10,636</b>	<b>56,612</b>
-	31,537	<b>Cash and Cash Equivalents (amortised cost)</b>	<b>-</b>	<b>83,619</b>
<u>30,813</u>	<u>137,273</u>	<b>Total Financial Assets</b>	<b>31,050</b>	<b>205,131</b>

2019/20 Restated		<u>Financial Liabilities</u>	2020/21	
Long-Term £'000	Current Restated £'000		Long-Term £'000	Current £'000
(63,933)	(21,054)	<b>Borrowing (amortised cost)</b>		
(116,100)	(16,142)	Public Works Loan Board (PWLB)	<b>(62,899)</b>	<b>(21,101)</b>
		Other lenders	<b>(116,100)</b>	<b>(21,096)</b>
<u>(180,033)</u>	<u>(37,196)</u>		<b>(178,999)</b>	<b>(42,197)</b>
(23,961)	-	<b>Other Liabilities (amortised cost)</b>		
(57)	-	PFI Liability	<b>(22,289)</b>	-
(2,993)	-	Other Long Term Liabilities	<b>(57)</b>	-
		Obligations Under Finance Leases	<b>(2,662)</b>	-
<u>(27,011)</u>	<u>-</u>		<b>(25,008)</b>	<b>-</b>
-	(56,761)	<b>Creditors (payable within 12 months)</b>	<b>-</b>	<b>(104,937)</b>
		<b>(amortised cost)</b>		
<u>-</u>	<u>(56,761)</u>		<b>-</b>	<b>(104,937)</b>
<u>(207,044)</u>	<u>(93,957)</u>	<b>Total Financial Liabilities</b>	<b>(204,007)</b>	<b>(147,134)</b>

The amounts disclosed in the tables above for debtors and creditors have been amended for the 2019/20 prior year, to exclude council tax and business rates as these are statutory and not contractual arrangements, as well as payments in advance and receipts in advance which do not meet the criteria of a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

The following table analyses the financial instruments into input levels for measurement techniques:

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

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

Level 3 inputs – unobservable inputs for the asset.

(The fair values of short-term financial instruments held at amortised cost are assumed to approximate to the carrying amount and are excluded from this table.)

Level 1 £'000	2019/20		<b>Financial Assets</b>	2020/21		
	Level 2 £'000	Level 3 £'000		Level 1 £'000	Level 2 £'000	Level 3 £'000
55,582	20,467		<b>Investments in pooled funds</b>	64,900	20,414	-
-	10,346		<b>Long Term Debtors</b>	-	10,636	-

Level 1 Restated £'000	2019/20		<b>Financial Liabilities</b>	2020/21		
	Level 2 £'000	Level 3 £'000		Level 1 £'000	Level 2 £'000	Level 3 £'000
(84,987)	-		<b>Borrowing</b>			
(132,242)	-		Public Works Loan Board (PWLB)	(84,000)	-	-
			Other lenders	(137,196)	-	-
(217,229)	-			(221,196)	-	-
-	(23,961)		<b>Other Liabilities</b>			
-	(57)		PFI Liability	-	(22,289)	-
-	(2,993)		Other Long Term Liabilities	-	(57)	-
			Obligations Under Finance Leases	-	(2,662)	-
-	(27,011)			-	(25,008)	-

**4. Events after the Balance Sheet date**

There were no material events after the balance sheet date that require disclosure in these financial statements. The narrative statement provides a separate update on the impact of the outbreak of the coronavirus, Covid-19.

**5. Local Government reorganisations**

Section 2.5 of the Code sets out the accounting requirements for local government reorganisation and other business combinations. In essence, public sector bodies are deemed to be under common control and any reorganisations are generally timed to start on 1 April. Such reorganisations are generally reflected in the accounts by restating the opening balance sheet for the current year. Transfers are not reflected in the Comprehensive Income and Expenditure Statement, but are instead disclosed in the Movement In Reserves Statement. The notes to the Financial Statements disclose the impact of the transfers rather than restate comparative year figures.

Dorset Council was established on 1 April 2019 as part of the reorganisation of local government in Dorset, effected by the Bournemouth, Dorset and Poole (Structural Changes) Order 2018 No 648. On that date, Dorset Council assumed the assets, liabilities, benefits and obligations of its five predecessor, district and borough councils, and that part of the former County Council that related to the geographical area represented by those five district councils. The County Council's balance sheet at 31 March 2019 was disaggregated between Dorset Council and Bournemouth Christchurch and Poole Council according to methods agreed between the two councils and overseen by the Local Government Association.

**6. Prior period adjustments**

**6.1 Loss on disposal of non-current assets**

Following a review of the 2019/20 accounts it was identified that a loss on disposal of £54.8m relating to assets disaggregated to other local authorities upon local government reorganisation was incorrectly included in the CIES. This error also impacted on the Movement in Reserves Statement for the general fund balance, and earmarked reserves and capital grants unapplied as disclosed below. The Council has deemed this error to be material and as a result a prior year adjustment has been included in the CIES, MIRS, CFS and supporting notes to reflect the removal of this loss on disposals. The changes are all noted below.

**CIES**

Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	Prior year - 2019/20	Revised 2019/20	Adjustment
	Gross spending	Gross spending	
	£'000	£'000	£'000
	£	£	£
Net loss/(gain) on disposal of non-current assets	49,994	(4,815)	54,809
(Surplus) on the revaluation of Property, Plant & Equipment	(64,207)	(54,507)	(9,700)

**Movement in Reserves**

For the year ended 31 March 2020	Prior year 2019/20 general fund balance	Revised year 2019/20 general fund balance	Adjustment
	£'000	£'000	£'000
	£	£	£
Surplus/(Deficit) for the year	(142,486)	(87,677)	(54,809)
Total Comprehensive Income/(Expenditure)	(142,486)	(87,677)	(54,809)
Net Increase/(Decrease) before Transfers	(142,486)	(87,677)	(54,809)
Total adjustments between accounting basis and funding basis under regulations (note 10)	175,338	77,363	97,975
Total transfers	(17,053)	26,113	(43,166)

**Amendments to presentation on Movement in Reserves between disclosure from Transfers to Adjustments:**

-Transfer to Capital Grants Unapplied Reserves	(43,041)
-Interest on Developer Contributions	(125)
<b>Total amendments</b>	<b>(43,166)</b>

For the year ended 31 March 2020	Prior year 2019/20 earmarked reserves	Revised year 2019/20 earmarked reserves	Adjustment
	£'000	£'000	£'000
	£	£	£
Total adjustments between accounting basis and funding basis under regulations (note 10)	0	6,478	(6,478)
Total transfers	(19,634)	(26,112)	6,478

**Amendments to presentation on Movement in Reserves between disclosure from Transfers to Adjustments:**

-Reclassifications between balances and Reserves	6,478
<b>Total amendments</b>	<b>6,478</b>

For the year ended 31 March 2020	Prior year 2019/20 capital grants unapplied	Revised year 2019/20 capital grants unapplied	Adjustment
	£'000	£'000	£'000
	£	£	£
Total adjustments between accounting basis and funding basis under regulations (note 10)	0	1,571	(1,571)
Total transfers	1,571	0	1,571

**Amendments to presentation on Movement in Reserves between disclosure from Transfers to Adjustments:**

-Transfer to Capital Grants Unapplied Reserves	43,040
-Interest on Developer Contributions	125
-Transfer from Capital Grants Unapplied to CAA	(35,116)
-Reclassifications between balances and Reserves	(6,478)
<b>Total amendments</b>	<b>1,571</b>

For the year ended 31 March 2020	Prior year 2019/20 unusable reserves	Revised year 2019/20 total unusable reserves	Adjustment
	£'000	£'000	£'000
	£	£	£
Total Other Comprehensive Income/(Expenditure)	116,740	107,040	9,700
Total Comprehensive Income/(Expenditure)	116,740	107,040	9,700
Net Increase/(Decrease) before Transfers	116,740	107,040	9,700
Total adjustments between accounting basis and funding basis under regulations (note 10)	(116,959)	(72,143)	(44,816)
Total transfers	35,116	0	35,116

**Amendments to presentation on Movement in Reserves between disclosure from Transfers to Adjustments:**

-Transfer from Capital Grants Unapplied to CAA			35,116
<b>Total amendments</b>			<b>35,116</b>

**Expenditure and Funding Analysis**

For the year ended 31 March 2020	Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
	£	£	£
Net loss/(gain) on disposal of non-current assets			
Prior Year 2019/20	29	49,965	49,994
Adjustment	0	(54,809)	(54,809)
Revised year 2019/20	29	(4,844)	(4,815)

**Note 40 - Capital Adjustment Account**

	Prior year 2019/20	Revised 2019/20	Adjustment
	£'000	£'000	£'000
	£	£	£
Depreciation & Impairment 2019/20	(4,549)	(49,658)	45,109
Net gains/(losses) on disposal of non current assets	(43,282)	1,827	(45,109)

**Note 43 - Revaluation Reserve**

	Prior year 2019/20	Revised 2019/20	Adjustment
	£'000	£'000	£'000
	£	£	£
Revaluation gains on property, plant & equipment	64,207	54,507	9,700
Net (gains)/losses on reversing out historic upward revaluation on disposal of non-current assets	(10,780)	(1,080)	(9,700)

**6.2 Financial Instruments - classification of debtors and creditors**

The amounts disclosed in disclosure note 3. b) Financial instruments for debtors and creditors have been amended for the 2019/20 prior year, to exclude council tax and business rates as these are statutory and not contractual arrangements, as well as payments in advance and receipts in advance which do not meet the criteria of a financial instrument.

2019/20		
Current		<b>Financial Assets</b>
£'000		
67,858		Debtors reported for 2019/20
(6,668)		Collection Fund debtors
(11,036)		Payments in advance
<u>50,154</u>		<b>Restated Debtors for 2019/20</b>
Current		<b>Financial Liabilities</b>
£'000		
(101,102)		Creditors (payable within 12 months) reported for 2019/20
20,432		Collection Fund creditors
23,909		Receipts in advance
<u>(56,761)</u>		<b>Restated Creditors for 2019/20</b>

**6.3 Comprehensive Income and Expenditure Account - Non-Domestic Rates.**

The income received for Non-Domestic Rates has been restated as one amount for 2019/20 to be consistent with the presentation for the 2020/21 amounts.

Prior year 2019/20 £'000		2020/21 £'000
(39,753)	Non-Domestic Rates	(51,642)
(10,376)	Non-Domestic Rates top-up receipts from Central Government	-
<u>(50,129)</u>		<u>(51,642)</u>
Restated 2019/20 £'000		2020/21 £'000
(50,129)	Non-Domestic Rates	(51,642)
<u>(50,129)</u>		<u>(51,642)</u>

**6.4 Comprehensive Income and Expenditure Account - Levies and Precepts.**

The payment of parish precepts has been restated and included within the Levies and Precepts line on the CIES, rather than within Council Tax. This is consistent with the treatment for the 2020/21 financial year.

Prior year 2019/20 £'000		2020/21 £'000
620	Levies and Precepts	16,536
(240,914)	Council Tax	(266,192)
Restated 2019/20 £'000		2020/21 £'000
15,782	Levies and Precepts	16,536
(256,076)	Council Tax	(266,192)



**6.5 Movement in Reserves Statement.**

The prior year adjustments for loss on disposal of non-current assets at 6.1 above have resulted in a change to the amounts in the Movement in Reserves Statement for 2019/20. The headings have also been changed to reflect that the statement does not reflect movement on the reserves in the total columns.

In addition, the total transfers line in the Movements in Reserves Statement for 2019/20 included items which should have been classified within total adjustments between accounting basis and funding basis. These have been corrected in the revised Movement in Reserves Statement and the changes have been set out in the analysis for note 6.1 above.

Original disclosure in the published 2019/20 accounts:

**STATEMENT OF MOVEMENT IN RESERVES**

For the year ended 31 March 2020.	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Note	52, 53	51	50	46			
Balance as at 01 April 2019	14,972	105,049	12,975	49,622	182,618	(156,999)	25,619
<b>Movement in reserves during 2019/20</b>							
Surplus/(Deficit) for the year	(142,486)				(142,486)	-	(142,486)
Total Comprehensive Income/(Expenditure)	(142,486)	-	-	-	(142,486)	116,740	(25,746)
<b>Adjustments between accounting basis and funding basis under regulations</b>							
Total Adjustments	175,338	-	(13,300)	-	162,038	(116,959)	45,079
<b>Transfers to/(from) specific reserves</b>							
Total transfers	(17,053)	(19,634)	-	1,571	(35,116)	35,116	-
<b>Balance as at 31 March 2020</b>	<b>30,771</b>	<b>85,415</b>	<b>(325)</b>	<b>51,193</b>	<b>167,054</b>	<b>(122,102)</b>	<b>44,952</b>

Revised disclosure for 2019/20 in the published 2020/21 accounts:

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Note	49	48	46	42			
Balance as at 31 March 2019	14,972	105,049	12,975	49,622	182,618	(156,998)	25,620
<b>Movement in reserves during 2019/20</b>							
Surplus/(Deficit) for the year	(97,377)				(97,377)	-	(97,377)
Total Other Comprehensive Income/(Expenditure)	-	-	-	-	-	116,740	116,740
Total Comprehensive Income/(Expenditure)	(97,377)	-	-	-	(97,377)	116,740	19,363
<b>Net Increase/(Decrease) before Transfers</b>	<b>(97,377)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,377)</b>	<b>116,740</b>	<b>19,363</b>
Total adjustments between accounting basis and funding basis under regulations (note 10)	87,063	6,478	(13,300)	1,571	81,812	(81,843)	(31)
Total transfers	26,113	(26,112)	-	-	1	-	1.00
<b>Balance as at 31 March 2020</b>	<b>30,771</b>	<b>85,415</b>	<b>(325)</b>	<b>51,193</b>	<b>167,054</b>	<b>(122,101)</b>	<b>44,953</b>

**6.6 Remuneration of senior staff (Disclosure Note 18)**

Remuneration amounts used to compile the disclosure note have been recalculated to exclude employer pension contributions.

Original disclosure in 2019/20 accounts which included employer pension contributions in amounts for remuneration in each group.

Non-schools	2019/20		Group
	LEA Schools	VA/VC Schools	
152	108	59	£50,000 to £55,000
78	63	26	£55,000 to £60,000
55	39	36	£60,000 to £65,000
33	9	15	£65,000 to £70,000
21	12	6	£70,000 to £75,000
18	7	7	£75,000 to £80,000
6	4	2	£80,000 to £85,000
10	5	1	£85,000 to £90,000
2	5	5	£90,000 to £95,000
8	4	3	£95,000 to £100,000
3	1	-	£100,000 to £105,000
-	1	-	£105,000 to £110,000
1	1	-	£110,000 to £115,000
2	1	-	£115,000 to £120,000
1	1	1	£120,000 to £125,000
2	-	-	£125,000 to £130,000
2	-	-	£130,000 to £135,000
1	-	1	£135,000 to £140,000
1	-	-	£140,000 to £145,000
2	-	-	£155,000 to £160,000
4	-	-	£160,000 to £165,000
1	-	-	£165,000 to £170,000
1	-	-	£225,000 to £230,000
404	261	162	

Restated 2019/20 prior year comparatives in the 2020/21 accounts which now exclude employer pension contributions in remuneration amounts for each group.

Non-schools	2019/20		Group
	LEA Schools	VA/VC Schools	
78	38	36	£50,000 to £54,999
35	12	12	£55,000 to £59,999
27	9	10	£60,000 to £64,999
22	8	3	£65,000 to £69,999
13	5	1	£70,000 to £74,999
4	6	5	£75,000 to £79,999
10	4	3	£80,000 to £84,999
8	-	0	£85,000 to £89,999
1	3	0	£90,000 to £94,999
-	1	-	£95,000 to £99,999
2	1	1	£100,000 to £104,999
-	-	-	£105,000 to £109,999
3	-	1	£110,000 to £114,999
4	-	-	£120,000 to £124,999
1	-	-	£125,000 to £129,999
3	-	-	£135,000 to £139,999
1	-	-	£145,000 to £149,999
1	-	-	£155,000 to £159,999
1	-	-	£160,000 to £164,999
1	-	-	£165,000 to £169,999
1	-	-	£200,000 to £204,999
216	87	72	

**6.7 Cash Flow Statement and associated notes**

Dorset Council has reviewed the methodology used to produce the cash flow statement and has decided to move from the direct method to the indirect method. The direct cash flow method uses real cash inflows and outflows, which means it measures cash as its received or paid. Whereas, the indirect method works with the accrual basis of accounting, which is more aligned with the other core financial statements.

The indirect method will be used going forwards, so the comparative figures have been produced using this methodology.

The change to the indirect method has no impact over the net increase in cash & cash equivalents for the year ended 31 March 2020.

**6.8 Capital Financing Requirement (Disclosure Note 25)**

Capital financing requirement disclosure amended to include heritage assets.

Original disclosure of 2019/20 comparative amounts in the 2019/20 accounts.

2019/20 £000s		2020/21 £000s
975,193	Property, Plant & Equipment and Intangible Assets	990,520
8,530	Assets held for sale	4,937
<u>983,723</u>	Total Assets to be funded	<u>995,457</u>
<u>(183,125)</u>	Revaluation Reserve	<u>(196,750)</u>
<u>(480,758)</u>	Capital Adjustment Reserve	<u>(459,981)</u>
<u>319,840</u>	<b>Capital Financing Requirement 31 March</b>	<u><b>338,726</b></u>
<u>(23,961)</u>	Less Long Term PFI Liability	<u>(22,289)</u>
<u>(2,993)</u>	Less Obligations under Finance Leases	<u>(2,662)</u>
<u><u>292,886</u></u>	<b>Underlying Borrowing Requirement 31 March</b>	<u><u><b>313,775</b></u></u>

Restated disclosure of 2019/20 comparative amounts in the 2020/21 accounts.

2019/20 £000s		2020/21 £000s
978,500	Property, Plant & Equipment and Intangible Assets	990,520
8,530	Assets held for sale	4,937
<u>987,030</u>	Total Assets to be funded	<u>995,457</u>
<u>(183,125)</u>	Revaluation Reserve	<u>(196,750)</u>
<u>(480,758)</u>	Capital Adjustment Reserve	<u>(459,981)</u>
<u>323,147</u>	<b>Capital Financing Requirement 31 March</b>	<u><b>338,726</b></u>
<u>(23,961)</u>	Less Long Term PFI Liability	<u>(22,289)</u>
<u>(2,993)</u>	Less Obligations under Finance Leases	<u>(2,662)</u>
<u><u>296,193</u></u>	<b>Underlying Borrowing Requirement 31 March</b>	<u><u><b>313,775</b></u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Expenditure and Income analysed by Nature and Segmental Income

The Code requires local authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement.

	2020/21							2019/20	
	People Services, Adults & Housing	Corporate Development	Place	People Services, Children	Legal & Democratic	Public Health	Centrally Managed Costs	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Internal Charges/Trading	(526)	(2,738)	(7,966)	3,670	(73)	910	6,742	19	Restated £'000 49
Authority (Democratic) Costs	-	-	-	-	1,645	-	-	1,645	1,554
Pay Related Costs	21,917	23,215	53,818	145,169	3,843	3,337	7,574	258,873	268,595
Premises Related Costs	2,003	788	15,098	8,891	98	72	2,316	29,266	26,443
Transport Related Costs	300	438	10,620	9,738	2	-	4	21,102	23,265
Supplies and Service	55,668	16,837	19,861	92,805	2,572	3,232	(1,076)	189,899	156,755
Transfer Payments	41,618	74,441	4	1,214	-	-	-	117,277	115,674
Levies & Precepts	-	-	-	1	-	-	-	1	84
Third Party Payments	98,585	622	27,240	15,473	398	22,679	1	164,998	155,052
Net Schools Budget adjs	-	-	-	1,039	-	-	-	1,039	1,193
Cost Centre Balances	-	-	-	587	-	-	(7)	580	(1,542)
Government Grants	(20,692)	(76,900)	(9,471)	(170,166)	-	(25,286)	-	(302,515)	(276,078)
Reimbursements and Contributions	(42,545)	(5,393)	(9,447)	(10,007)	(133)	(15,749)	(127)	(83,401)	(65,699)
Fees and Charges	(26,106)	(5,108)	(33,157)	(3,006)	(1,291)	(1)	(35)	(68,704)	(81,558)
Corporate Income & Expenditure	(22)	-	-	(181)	-	-	-	(203)	(169)
Funding	-	-	-	-	-	-	-	-	-
Transfers to/(from) Reserves	-	-	(682)	(252)	-	-	936	2	86
<b>Reported in Management Accounts</b>	<b>130,200</b>	<b>26,202</b>	<b>65,918</b>	<b>94,975</b>	<b>7,061</b>	<b>(10,806)</b>	<b>16,328</b>	<b>329,878</b>	323,704
IAS 19 Pension Adjustment	3,130	3,248	7,980	10,085	542	314	7,020	32,319	14,043
Capital Charges	6,751	3,044	41,245	8,943	2	-	18	60,003	63,445
<b>Deficit on Provision of Services</b>	<b>140,081</b>	<b>32,494</b>	<b>115,143</b>	<b>114,003</b>	<b>7,605</b>	<b>(10,492)</b>	<b>23,366</b>	<b>422,200</b>	401,192
Recharges (SERCOP)	13,692	(26,224)	(4,695)	25,042	(5,225)	(1)	(2,589)	-	4
<b>Deficit on Provision of Services</b>	<b>153,773</b>	<b>6,270</b>	<b>110,448</b>	<b>139,045</b>	<b>2,380</b>	<b>(10,493)</b>	<b>20,777</b>	<b>422,200</b>	401,196

The table above shows the deficit on provision of services, the same as reported on the corresponding line in the Comprehensive Income and Expenditure Statement. The line marked *reported in management accounts* reflects the figures that the County's Leadership Team reviews on a monthly basis to monitor the Authority's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

8. Expenditure and Funding Analysis

2019/20			2020/21		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated £'000	Restated £'000	Restated £'000	£'000	£'000	£'000
125,133	5,778	130,911	130,073	10,008	140,081
36,633	4,360	40,993	25,581	6,913	32,494
60,912	50,892	111,804	64,765	50,378	115,143
82,648	7,871	90,519	94,506	19,497	114,003
8,563	289	8,852	6,945	660	7,605
807	142	949	(10,831)	339	(10,492)
(9,444)	26,612	17,168	26,112	(2,746)	23,366
305,252	95,944	401,196	337,151	85,049	422,200
<b>Deficit on Provision of Services</b>					
<b>Other Operating Income &amp; Expenditure</b>					
29	(4,844)	(4,815)	(56)	(666)	(722)
15,782		15,782	16,536	-	16,536
<b>Financing &amp; Investment Income &amp; Expenditure</b>					
-	15,202	15,202	-	17,211	17,211
7,432		7,432	7,719	-	7,719
(3,438)	(125)	(3,563)	(3,480)	-	(3,480)
8,791		8,791	(9,271)	-	(9,271)
9,336		9,336	-	-	-
-	19,127	19,127	-	18,403	18,403
21,564	(21,564)		14,570	(14,570)	
(26,113)	26,113	-	17,633	(17,633)	-
<b>Taxation &amp; Non-Specific Grant Income</b>					
(48,346)	(1,783)	(50,129)	(72,835)	21,193	(51,642)
(263,631)	7,555	(256,076)	(268,494)	2,302	(266,192)
(31,494)		(31,494)	(47,117)	-	(47,117)
(10,963)	(32,149)	(43,112)	19	(71,325)	(71,306)
(321,051)	7,532	(313,519)	(344,776)	(45,085)	(389,861)
(15,799)	103,476	87,677	(7,625)	39,964	32,339
<b>(Surplus) / Deficit for the Year</b>					
(14,972)			(30,771)		
(15,799)			(7,635)		
(30,771)			(38,406)		
<b>Opening General Fund Balance as at 31 March 2020</b>					
<b>(Surplus) / Deficit on General Fund Balance</b>					
<b>Closing General Fund Balance as at 31 March 2021</b>					

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

2019/20 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	2020/21		Total Adjustments
			Net Change for the Pensions Adjustments	Other Differences	
Restated £'000		£'000	£'000	£'000	£'000
5,778	People - Adults	6,751	3,130	127	10,008
4,360	Corporate Development	3,044	3,248	621	6,913
50,892	Place	41,245	7,980	1,153	50,378
7,871	People - Children	8,943	10,085	469	19,497
289	Legal & Democratic	2	542	116	660
142	Partnerships (DCC Leads)	-	314	25	339
26,612	Centrally Managed Costs	18	7,020	(9,784)	(2,746)
95,944	<b>Deficit on Provision of Services</b>	<b>60,003</b>	<b>32,319</b>	<b>(7,273)</b>	<b>85,049</b>
17,232	<b>Other Income and Expenditure from the Funding Analysis</b>	<b>(69,352)</b>	<b>18,403</b>	<b>5,864</b>	<b>(45,085)</b>
113,176	<b>Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(9,349)</b>	<b>50,722</b>	<b>(1,409)</b>	<b>39,964</b>

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The adjustments between the funding and accounting basis above summarise detailed entries on the Movement in Reserves Statement, categorised by capital, pensions or other differences, that result in movements to the Comprehensive Income and Expenditure Statement to show the net expenditure chargeable to the general fund balance.

Other differences relate to items not included in management reporting, but are required to be reflected in the accounts. These include entries for the council tax and business rates Collection Fund Adjustment Accounts, and transfers to and from reserves.

**10. Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure 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 together with movements in reserves under statute.

Usable Reserves 2019/20	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis and funding basis under regulations</b>							
Charges for depreciation & Impairment of non-current assets	57,910				57,910	(57,939)	(29)
Revenue expenditure funded from capital under statute	5,762				5,762	(5,762)	-
Net (gains)/losses on disposal of non-current assets	(4,844)		4,097		(747)	747	-
Net (gains)/losses on disposal of Academies	15,202				15,202	(15,202)	-
Statutory provision for financing of capital investment	(21,337)				(21,337)	21,337	-
Capital Expenditure charged against the General Fund	(228)				(228)	228	-
Usable Capital Receipts funding revenue income from finance leases	12		(12)		-	-	-
Capital Receipts flexibility	10,880		(10,881)		(1)	-	(1)
Use of Capital Receipts to finance new capital expenditure			(6,504)		(6,504)	6,504	-
Transfer to Capital Grants Unapplied Reserves	(43,041)			43,040	(1)	-	(1)
Transfer from Capital Grants Unapplied to CAA				(35,116)	(35,116)	35,116	-
Reclassifications between balances and Reserves	-	6,478		(6,478)	-	-	-
Interest on Developer Contributions	(125)			125	-	-	-
<b>Adjustments for Capital Purposes</b>	<b>20,191</b>	<b>6,478</b>	<b>(13,300)</b>	<b>1,571</b>	<b>14,940</b>	<b>(14,971)</b>	<b>(31)</b>
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	73,121				73,121	(73,121)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(39,608)				(39,608)	39,608	-
<b>Net Change for the Pensions Adjustments</b>	<b>33,513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,513</b>	<b>(33,513)</b>	<b>-</b>
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	8,999				8,999	(8,999)	-
Mandatory statutory override for changes in fair value of investments in pooled funds	8,745				8,745	(8,745)	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	7,555				7,555	(7,555)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(1,783)				(1,783)	1,783	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	143				143.00	(143)	-
<b>Other Adjustments</b>	<b>23,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,659</b>	<b>(23,659)</b>	<b>-</b>
<b>Total Adjustments 2019/20</b>	<b>77,363</b>	<b>6,478</b>	<b>(13,300)</b>	<b>1,571</b>	<b>72,112</b>	<b>(72,143)</b>	<b>(31)</b>

Usable Reserves 2020/21	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis and funding basis under regulations</b>							
Charges for depreciation & Impairment of non-current assets	57,903				57,903	(57,903)	-
Revenue expenditure funded from capital under statute	2,113				2,113	(2,113)	-
Net gains/(losses) on disposal of non-current assets	(666)		4,432		3,766	(3,766)	-
Net gains/(losses) on disposal of Academies	17,211				17,211	(17,211)	-
Statutory provision for financing of capital investment	(14,570)				(14,570)	14,570	-
Capital Expenditure charged against the General Fund	-				-	-	-
Usable Capital Receipts funding revenue income from finance leases	12		(12)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(496)		(496)	496	-
Transfer to Capital Grants Unapplied Reserves	(71,337)			71,337	-	-	-
Transfer from Capital Grants Unapplied to CAA				(33,141)	(33,141)	33,141	-
Reclassifications between balances and Reserves		4,410		(4,410)	-	-	-
Interest on Developer Contributions	-			-	-	-	-
<b>Adjustments for Capital Purposes</b>	<b>(9,334)</b>	<b>4,410</b>	<b>3,924</b>	<b>33,786</b>	<b>32,786</b>	<b>(32,786)</b>	<b>-</b>
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	85,591				85,591	(85,591)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(34,870)				(34,870)	34,870	-
<b>Net Change for the Pensions Adjustments</b>	<b>50,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,721</b>	<b>(50,721)</b>	<b>-</b>
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(598)				(598)	598	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(9,271)				(9,271)	9,271	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	2,302				2,302	(2,302)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	21,195				21,195	(21,195)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	2,593				2,593	(2,593)	-
Net transfers to/from DSG Adjustment Account	17,292				17,292	(17,292)	-
<b>Other Adjustments</b>	<b>33,513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,513</b>	<b>(33,513)</b>	<b>-</b>
<b>Total Adjustments 2020/21</b>	<b>74,900</b>	<b>4,410</b>	<b>3,924</b>	<b>33,786</b>	<b>117,020</b>	<b>(117,020)</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport, using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. The school became an Academy on 1 April 2015 but despite the change in status, the PFI arrangement will continue to be the responsibility of the Council.

In 2006, the Council entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

Payments made and PFI Grants receivable to support the schemes were as follows:

Payments	Grants Rcvd		Payments	Grants Rcvd
2019/20	2019/20		2020/21	2020/21
£'000	£'000		£'000	£'000
6,188	(2,546)	Street lighting (provider)	6,373	(2,546)
-	-	Street lighting reimbursement	(3,063)	-
1,539	-	Street lighting (energy)	1,463	-
2,784	(1,559)	Colfox School (provider)	2,829	(1,559)

Repayments to be made (to the end of the contracts) under PFI arrangements are analysed as follows:

	Street lighting	Colfox School
	£'000	£'000
Capital repayment	48,556	12,015
Interest charges	2,947	4,810
Service charges	35,538	14,218
	<b>87,041</b>	<b>31,043</b>

Movements of PFI asset and liability balances are analysed as follows:

Assets	Street lighting	Colfox School
	£'000	£'000
Opening balance	40,304	23,708
Additions/developments/lifecycle	3,239	-
Revaluations	-	954
Impairments	-	-
Depreciation	(1,742)	(483)
Closing balance	<b>41,801</b>	<b>24,179</b>

Liabilities	Street lighting	Colfox School
	£'000	£'000
Opening balance	(14,978)	(8,983)
Additions/developments/lifecycle	(3,239)	(652)
Repayments	4,320	1,243
Closing balance	<b>(13,897)</b>	<b>(8,392)</b>

Future PFI Repayments to be made and when they fall due as analysed in the table below.

	Payments due within one year	Payments due between one and five years	Payments due after five years	Total future payments
	£'000	£'000	£'000	£'000
<b>Street lighting</b>				
Capital repayment	4,360	17,973	26,223	48,556
Interest charges	412	1,386	1,149	2,947
Service charges	2,728	11,807	21,003	35,538
<b>Street Lighting Total</b>	<b>7,499</b>	<b>31,165</b>	<b>48,375</b>	<b>87,041</b>
<b>Colfox</b>				
Capital repayment	1,389	4,985	5,641	12,015
Interest charges	914	2,782	1,114	4,810
Service charges	1,431	6,336	6,451	14,218
<b>Colfox Total</b>	<b>3,734</b>	<b>14,103</b>	<b>13,206</b>	<b>31,043</b>
<b>Total future payments</b>	<b>11,233</b>	<b>45,269</b>	<b>61,581</b>	<b>118,084</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 12. Leases

Dorset Council accounts for leases in accordance with the accounting policies set out in this document. Specific information for leases is as follows:

### Lessee Arrangements

#### Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 01/04/2019	1,219	4,097
New finance leases	-	-
Depreciation charge	(532)	(2,727)
Carrying amount as at 31/03/2020	687	1,370
New finance leases	76	-
Depreciation charge	(302)	(67)
<b>Carrying amount as at 31/03/2021</b>	<b>461</b>	<b>1,303</b>

#### Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 01/04/2019	(1,549)	(4,957)
Liabilities added	-	-
Capital repayment	593	2,920
Carrying amount as at 31/03/2020	(956)	(2,037)
Liabilities added	(76)	-
Capital repayment	361	46
<b>Carrying amount as at 31/03/2021</b>	<b>(671)</b>	<b>(1,991)</b>

#### The following amounts were paid/are payable under lease agreements:

	2020/21 £'000	Leases payable within one year £'000	Leases payable after one year but less than five years £'000	Leases payable after more than five years £'000
Finance leases - property	274	274	1,096	4,066
Finance leases - plant, equipment, vehicles	628	642	334	38
All finance leases	902	916	1,430	4,104
Operating leases - property	769	637	2,208	9,970
Operating leases - plant, equipment, vehicles	1,144	1,171	609	69
All operating leases	1,913	1,808	2,817	10,039
All leases	2,815	2,724	4,247	14,143

#### Total future minimum lease payments (MLP) are as follows:

	MLP £'000	Net Present Value MLP £'000
Finance leases	6,450	3,742
Operating leases	14,664	8,209

It is the practice of Dorset Council in property lease accounting, to apply a 125 year term end date, reviewed each financial year, to leases out as lessor held on an in perpetuity basis.

# NOTES TO THE FINANCIAL STATEMENTS

## Lessor Arrangements

### Future receipts from leases

	Leases receivable within one year £'000	Leases receivable after one year but less than five years £'000	Leases receivable after more than five years £'000
Finance leases - property	46	185	2,811
Operating leases - property	4,126	10,767	54,676

### Operating leases above include the following arrangements with Tricuro:

	Leases receivable within one year £'000	Leases receivable after one year but less than five years £'000	Leases receivable after more than five years £'000
Operating leases - property	591	-	-

### Total future minimum lease receipts (MLR) are as follows:

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	3,042	1,032
Operating leases - property	69,569	38,423

### 13. Revenue from Contracts with Service Recipients

IFRS 15 Revenue from Contracts with Customers was incorporated into the CIPFA Code with effect from 1 April 2018. IFRS 15 established the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Included in the Council's income as shown on the Comprehensive Income and Expenditure Statement are the following amounts from contracts with customers as defined by IFRS 15. The Council has contract receivables, but no contract assets or contract liabilities. It has been concluded that revenue will be recognised in the correct financial year by accounting practise applied during the year, and the processes for accruals and other year-end adjustments.

	2020/21			Revenue recognised for the year £'000
	Income from contracts with customers	Other Income	Service specific grants	
	£'000	£'000	£'000	
People - Adults & Housing	42,660	25,991	20,691	89,342
Corporate Development; Legal and Democratic; and Centrally Managed	410	11,675	76,900	88,985
People - Children	-	13,014	170,166	183,180
Place	13,453	29,150	9,472	52,075
Partnerships	-	15,749	25,287	41,036
<b>Total</b>	<b>56,523</b>	<b>95,579</b>	<b>302,516</b>	<b>454,618</b>

	2019/20			Revenue recognised for the year £'000
	Income from contracts with customers	Other Income	Specific grants	
	£'000	£'000	£'000	
People - Adults and Housing	33,277	11,638	8,423	53,338
Corporate Development; Legal and Democratic; and Centrally Managed	4,843	5,524	79,757	90,124
People - Children	1,121	14,071	169,165	184,357
Place	19,150	42,188	6,181	67,519
Partnerships	15,054	392	12,555	28,001
<b>Total</b>	<b>73,445</b>	<b>73,813</b>	<b>276,081</b>	<b>423,339</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Analysis of Government Grants

This table gives details of all grants received from central Government Departments.

2019/20 £'000		2020/21 £'000
163,253	Education	163,659
48,075	Communities & Local Government	58,053
17,560	Health	42,214
965	Transport	1,849
830	Environment, Food & Rural Affairs	1,089
120	Culture, Media & Sport	2,779
77,615	Work & Pensions	72,403
288	Business, Innovation & Skills	263
-	Ministry of Defence	-
13	Ministry of Justice	17
23	European Union	24
1,081	Home Office	1,012
1,942	Other	2,112
<u>311,765</u>		<u>345,474</u>

## Agency Accounting

Government paid more than £303.8m in Covid-19 funding to Dorset Council during the 2020/21 financial year, of which £196.2m has been administered on an agency basis and distributed to businesses and individuals through more than fifty schemes, including the various business grants schemes, extended business rates reliefs, the hardship fund and infection control grants. Grants for which the Council was the principal recipient have been included in the Comprehensive Income and Expenditure Statement.

## 15. Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 are as follows: -

Total 2019/20 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total 2020/21 £'000
247,388	Final DSG for 2020/21 before Academy recoupment			259,662
(104,477)	Academy figure recouped for 2020/21			(119,096)
142,911	Final DSG for 2020/21 after Academy recoupment			140,566
(14,768)	Plus: Brought forward from 2019/20			(21,803)
128,143	Agreed initial budgeted distribution in 2020/21	31,360	87,403	118,763
1,727	In year adjustments	(115)		(115)
129,870	Final budgeted distribution in 2020/21	31,245	87,403	118,648
(60,213)	Less: Actual central expenditure	(70,340)		(70,340)
(92,232)	Less: Actual ISB deployed to schools		(87,403)	(87,403)
772	Local Authority contribution for 2020/21			-
(21,803)	Carry forward to 2021/22	(39,095)	-	(39,095)

## 16. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Total capital expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is principally capital expenditure on assets which the Council does not own and which are not included on its asset register or Balance Sheet. This expenditure is charged in the Comprehensive Income and Expenditure Statement with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.

2019/20 £'000		2020/21 £'000
5,762	Expenditure in Service Budgets funded from Capital Adjustment Account	2,113

## 17. Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2019/20 £'000		2020/21 £'000
1,465	Members' allowances	1,634
75	Members Travel	6
-	Members Subsistence	-

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum. Missing bands have no staff in them for either year (e.g. £150,000 to £155,000).

Non-schools	2019/20		Group	2020/21		
	LEA Schools	VA/VC Schools		Non-schools	LEA Schools	VA/VC Schools
Restated	Restated	Restated				
78	38	36	£50,000 to £54,999	91	41	42
35	12	12	£55,000 to £59,999	43	20	19
27	9	10	£60,000 to £64,999	16	10	7
22	8	3	£65,000 to £69,999	10	10	6
13	5	1	£70,000 to £74,999	11	2	1
4	6	5	£75,000 to £79,999	11	4	4
10	4	3	£80,000 to £84,999	-	3	3
8	-	-	£85,000 to £89,999	2	2	1
1	3	-	£90,000 to £94,999	2	-	-
-	1	-	£95,000 to £99,999	5	2	-
2	1	1	£100,000 to £104,999	1	1	1
-	-	-	£105,000 to £109,999	2	2	-
3	-	1	£110,000 to £114,999	2	-	-
-	-	-	£115,000 to £119,999	3	-	2
4	-	-	£120,000 to £124,999	1	-	-
1	-	-	£125,000 to £129,999	-	-	-
-	-	-	£130,000 to £134,999	2	-	-
3	-	-	£135,000 to £139,999	-	-	-
-	-	-	£140,000 to £144,999	5	-	-
1	-	-	£145,000 to £149,999	-	-	-
1	-	-	£155,000 to £159,999	-	-	-
1	-	-	£160,000 to £164,999	-	-	-
1	-	-	£165,000 to £169,999	-	-	-
-	-	-	£195,000 to £199,999	1	-	-
1	-	-	£200,000 to £204,999	-	-	-
<b>216</b>	<b>87</b>	<b>72</b>		<b>208</b>	<b>97</b>	<b>86</b>

NOTES TO THE FINANCIAL STATEMENTS

Dorset Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level. The Accounts & Audit Regulations 2015 require the disclosure of remuneration of senior officers whose salary was £150,000 or more per annum. In line with the Council's published pay policy, information on certain other senior posts is also disclosed.

Salary (can include Redundancy) £'000	Additional Emoluments (inc Elections Payments) £'000	Pension Contributions £'000	2019/20 Total £'000	Post Holder Information	Name	Salary (can include Redundancy) £'000	Additional Emoluments (inc Elections Payments) £'000	Pension Contributions £'000	Total including Pension Contributions £'000
<b>Chief Executive</b>									
168	32	27	227	Current Postholder	Matt Prosser	170	-	28	198
<b>Executive Director People, Adults</b>									
138	2	22	162	Current Postholder	Mathew Kendall	115	-	25	140
84	-	13	97	Temporary cover	Vivienne Broadhurst	141	-	25	166
222	2	35	259			256	-	50	306
<b>Executive Director of Place</b>									
138	-	22	160	Current Postholder	John Sellgren	141	-	25	166
<b>Executive Director People, Children's</b>									
34	-	5	39	Current Postholder	Theresa Leavy	141	-	25	166
147	-	16	163	Previous Postholder		-	-	-	-
181	-	21	202			141	-	25	166
<b>Executive Director Corporate Development</b>									
138	-	22	160	Current Postholder	Aidan Dunn	141	-	25	166
<b>Director of Public Health*</b>									
124	-	20	144	Current Postholder	Sam Crowe	132	-	24	156
<b>Corporate Director Legal &amp; Democratic Services</b>									
107	7	17	131	Current Postholder		110	-	20	130
<b>Head of Chief Exec's Office</b>									
72	1	11	84	Current Postholder		78	-	14	92
1,150	42	175	1,367			1,169	-	211	1,380

\* - post(s) jointly funded by Dorset Council and Bournemouth, Christchurch and Poole Council as part of a jointly funded arrangement for which Dorset Council is the accountable body.

**19. Exit packages and termination benefits**

The revised Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure.

Compulsory redundancies 2019/20	Other 2019/20	Total cost £ 2019/20	Value of exit package	Compulsory redundancies 2020/21	Other 2020/21	Total cost £ 2020/21
<b>Non-Schools</b>						
35	11	490,955	Up to £20,000	19	9	193,022
18	7	719,219	£20,001 to £40,000	4	5	255,633
13	6	925,752	£40,001 to £80,000	4	7	507,907
10	4	1,003,234	£80,001 to £80,000	3	1	255,660
8	1	783,658	£80,001 to £100,000	2	-	172,170
4	-	428,101	£100,001 to £120,000	2	2	438,211
4	1	644,379	£120,001 to £140,000	-	2	264,766
3	-	439,946	£140,001 to £160,000	-	-	-
5	1	1,022,161	£160,001 to £180,000	-	-	-
3	-	569,800	£180,001 to £200,000	-	-	-
1	-	206,377	£200,001 to £220,000	-	-	-
4	2	1,394,437	£220,001 to £240,000	-	-	-
4	-	992,229	£240,001 to £260,000	-	1	247,968
1	1	574,211	£280,001 to £300,000	-	-	-
-	1	336,181	£320,001 to £340,000	-	-	-
1	-	353,016	£340,001 to £360,000	-	-	-
-	1	375,482	£360,001 to £380,000	-	-	-
-	2	938,579	£460,001 to £480,000	-	-	-
-	1	986,354	£980,001 to £1,000,000	-	-	-
114	39	13,184,071		34	27	2,335,337
<b>Schools</b>						
11	14	123,882	Up to £20,000	17	6	110,118
-	1	20,100	£20,001 to £40,000	2	1	88,147
			£60,001 to £80,000	1	-	75,000
11	15	143,982		20	7	273,265
125	54	13,328,053	<b>Total</b>	54	34	2,608,602

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. These costs have been included in the Comprehensive Income and Expenditure Statement.

Redundancies	Total cost £ 2019/20	Value of exit package	Redundancies	Total cost £ 2020/21
1	11,013	Up to £20,000	16	202,104
2	62,497	£20,001 to £40,000	8	244,411
1	46,797	£40,001 to £60,000	2	88,341
1	64,658	£60,001 to £80,000	-	-
1	114,817	£100,001 to £120,000	-	-
6	299,782		26	534,856

**20. Audit fees**

Fees payable by the Council relating to external audit and inspection are summarised in the table below.

2019/20 £'000		2020/21 £'000
180	Deloitte for external audit services as appointed auditor for the year	180
4	Deloitte for Teachers Pensions Audit	5
47	Grant Thornton for Housing Benefit audit	30
231		215

**21. Financing & Investment Income and Expenditure**

Interest payable and receivable by the Authority is analysed as follows:

2019/20 £'000		2020/21 £'000
7,432	Interest payable on borrowings (as per I&E)	7,719
(3,563)	Interest receivable and investing income (as per I&E)	(3,480)
8,791	Unrealised (gains) / losses on investments (as per I&E)	(9,271)
1,505	Interest payable on service concessions (PFI schemes)	1,401
166	Interest payable on finance leases (property)	162
229	Interest payable on finance leases (plant & equipment)	273
(99)	Interest receivable on finance leases (property)	(7)
14,461		(3,203)

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income and Expenditure Statement. Revenue costs for leases are specifically calculated asset by asset, and included in the deficit on provision of services line on the Comprehensive Income and Expenditure Statement.

The unrealised losses of £8.8m in 2019/20 were largely the result of large falls in investment markets in the last quarter of the year as market participants took into consideration the potential impact of COVID restrictions on economies. The unrealised gains of £9.3m in 2020/21 were largely the result of the recovery of investment markets over the course of the year as market participants reassessed those likely impacts. The net position over a two year period of extremely high levels of volatility has been unrealised gains on the Council's portfolio of investments of approximately £0.5m.

There are other items on the Comprehensive Income and Expenditure Statement not included in this disclosure note.

**22. Property, plant and equipment**

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale. These assets are not depreciated.

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2020	515,790	93,639	11,722	28,544	29,295	678,990
Additions	13,561	5,419	(44)	2	25,378	44,316
Revaluation increases/(decreases) recognised in the revaluation reserve	11,524	-	-	3,590	-	15,114
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(10,499)	-	-	(3,056)	-	(13,555)
Derecognition - disposals	(18,599)	(2,014)	-	(593)	-	(21,206)
Other movements in cost or valuation	3,218	7	-	(334)	(4,583)	(1,692)
<b>As at 31 March 2021</b>	<b>514,995</b>	<b>97,051</b>	<b>11,678</b>	<b>28,153</b>	<b>50,090</b>	<b>701,967</b>
<b>Accumulated depreciation and impairment</b>						
As at 31 March 2020	(57,706)	(65,898)	-	(11,588)	-	(135,192)
Depreciation charge	(16,045)	(7,242)	-	81	-	(23,198)
Depreciation written out to the revaluation reserve	10,595	-	-	428	-	11,023
Depreciation written out to the surplus/deficit on the provision of services	5,005	1,900	-	20	-	6,925
<b>As at 31 March 2021</b>	<b>(58,151)</b>	<b>(71,240)</b>	<b>-</b>	<b>(11,059)</b>	<b>-</b>	<b>(140,442)</b>
<b>Net book value</b>						
<b>As at 31 March 2021</b>	<b>456,844</b>	<b>25,811</b>	<b>11,678</b>	<b>17,094</b>	<b>50,090</b>	<b>561,525</b>
As at 31 March 2020	458,084	27,741	11,722	16,956	29,295	543,798

NOTES TO THE FINANCIAL STATEMENTS

Comparative movements for 2019/20 were as follows:

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
As at 01 April 2019	563,878	89,320	11,602	27,849	20,793	713,442
Additions	6,714	5,630	43	96	16,791	29,274
Revaluation increases/(decreases) recognised in the revaluation reserve	(20,698)	-	-	4,793	-	(15,905)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(5,475)	-	-	(198)	-	(5,673)
Derecognition - disposals	(32,315)	(1,808)	-	(6,457)	-	(40,580)
Assets reclassified (to)/from held for sale	(2,285)	-	-	571	-	(1,714)
Other movements in cost or valuation	264	87	77	553	(8,289)	(7,308)
<b>As at 31 March 2020</b>	<b>510,083</b>	<b>93,229</b>	<b>11,722</b>	<b>27,207</b>	<b>29,295</b>	<b>671,536</b>
<b>Accumulated depreciation and impairment</b>						
As at 1st April 2019	(120,900)	(59,485)	-	(8,797)	-	(189,182)
Depreciation charge	(15,232)	(7,706)	-	(6,829)	-	(29,767)
Depreciation written out to the revaluation reserve	69,878	-	-	229	-	70,107
Depreciation written out to the surplus/deficit on the provision of services	13,674	1,703	-	5,146	-	20,523
Other movements in depreciation and impairment	581	-	-	-	-	581
<b>As at 31st March 2020</b>	<b>(51,999)</b>	<b>(65,488)</b>	<b>-</b>	<b>(10,251)</b>	<b>-</b>	<b>(127,738)</b>
<b>Net book value</b>						
<b>As at 31st March 2020</b>	<b>458,084</b>	<b>27,741</b>	<b>11,722</b>	<b>16,956</b>	<b>29,295</b>	<b>543,798</b>
As at 1 April 2019	442,978	29,835	11,602	19,052	20,793	524,260



**Infrastructure Assets**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

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

**Financial Year End 31 March 2021**

Net Book Value (Modified Historic Cost) as at 31 March 2020	425,498
Additions	17,063
Derecognition	-
Depreciation	(23,189)
Depreciation on disposals	-
Other Movements	1,699
<b>Net Book Value as at 31 March 2021</b>	<b>421,071</b>

**Financial Year End 31 March 2020**

Net Book Value (Modified Historic Cost) as at 1 April 2019	412,321
Additions	22,053
Derecognition	(5,913)
Depreciation	(20,781)
Depreciation on disposals	11,816
Other Movements	6,002
<b>Net Book Value as at 31 March 2020</b>	<b>425,498</b>

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

	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
<b>Valued at Historic cost</b>		97,051	11,678		50,090	<b>158,819</b>
<b>Values at current value</b>						
Prior to 2019/20	269,207			19,795		<b>289,002</b>
2019/20	110,051			6,778		<b>116,829</b>
2020/21	135,737			1,580		<b>137,317</b>
<b>Total</b>	<b>514,995</b>	<b>97,051</b>	<b>11,678</b>	<b>28,153</b>	<b>50,090</b>	<b>701,967</b>

The Authority maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, NPS Group. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Note 54 to the accounts, on sources of estimation uncertainty, discloses sources on which there is the potential for material valuation uncertainty. The effective date for all valuations is 1 January 2021 for the financial year 2020/21, and the basis of valuation is explained in the Statement of Accounting Policies.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Retirement benefits

Dorset Council participates in four different pension schemes that meet the needs of employees in particular services. Three are defined benefit schemes providing members with benefits related to pay and length of service, and one is a defined contribution scheme providing members with benefits related to the investment returns on contributions. The schemes are as follows: -

(i) The Local Government Pension Scheme for employees other than teachers is administered by the Council. This is a funded scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in Reserves (General Fund Balance).

Service costs are included within the 'Net Cost of Services'. The net interest on the defined liability and administration expenses is included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movement in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2019/20 £'000		2020/21 £'000
	<b>Cost of services:</b>	
53,994	Service Cost	67,189
18,247	Net interest on the defined liability (asset)	17,635
880	Administration expenses	768
73,121	<b>Total post-employment benefits charged to the surplus or deficit on provision of services</b>	<b>85,592</b>
	<b>Remeasurement of the net defined benefit liability comprising:</b>	
(139,019)	Return on assets less interest	225,204
2,918	Other actuarial gains/(losses) on assets	-
175,528	Actuarial gains and losses on changes in financial assumptions	(445,049)
31,165	Actuarial gains and losses on changes in demographic assumptions	20,886
(18,059)	Experience gain/(loss) on changes on defined benefit obligation	23,582
52,533	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(175,377)</b>
	<b>Movement in reserves statement:</b>	
(73,121)	Total post-employment benefits charged to the surplus or deficit on provision of services	(85,592)
39,608	Employers' contributions payable to the scheme	34,871
(33,513)	<b>Adjustments between accounting basis and funding basis under regulations for the Pensions Reserve</b>	<b>(50,721)</b>
	<b>Actual amount charged against the General Fund balance for pensions in the year</b>	
39,608	Employers' contributions payable to the scheme	34,871

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories: -

% Assets	2019/20 £'000		% Assets	2020/21 £'000
50%	505,493	Equities	55%	676,287
11%	115,467	Gilts	11%	141,503
2%	21,151	Cash	2%	28,317
8%	83,022	Other Bonds	6%	71,383
6%	57,497	Diversified Growth Fund	5%	60,964
12%	116,658	Property	9%	116,245
7%	70,114	Infrastructure	6%	75,581
4%	45,311	Multi Asset Credit	5%	63,260
		Secured Income Funds	1%	6,081
	1,014,713	Estimated Assets in Council Fund		1,239,621
	1,750,296	Present value of scheme liabilities		2,201,857
	26,321	Present value of unfunded liabilities		25,766
	1,776,617	Total value of liabilities		2,227,623
	(761,904)	Net Pensions Asset/(Liability)		(988,002)

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2019, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2022.

## NOTES TO THE FINANCIAL STATEMENTS

The main assumptions used in their calculations are: -

2019/20			2020/21		
% p.a.	Real		% p.a.	Real	
2.70%	0.0%	RPI inflation	3.20%	0.0%	
1.90%	-0.8%	CPI inflation	2.80%	-0.4%	
2.90%	0.2%	Rate of increase in salaries	3.80%	0.6%	
1.90%	-0.8%	Rate of increase in pensions	2.80%	-0.4%	
2.35%	-0.4%	Rate for discounting scheme liabilities	2.00%	-1.2%	

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows: -

2019/20		Years	2020/21	
Male	Female		Male	Female
23.3	24.7	Retiring today	23.1	24.6
24.7	26.2	Retiring in 20 years	24.4	26.0

The Employer's mortality assumptions make an allowance for COVID-19, by adopting a weighting factor (w2020 parameter) of 25%. The estimated impact of allowing for a 25% weighting, rather than the default weighting factor (w2020 of 0%) is that it would reduce the Defined Benefit Obligation by between 1-2%.

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2019/20		2020/21
£'000		£'000
1,913,721	Opening defined benefit obligation	1,776,617
53,474	Current service cost	72,703
45,322	Interest cost	32,587
(175,528)	Change in financial assumptions	445,049
(31,165)	Change in demographic assumptions	(20,886)
18,059	Experience loss/(gain) on defined benefit obligation	(23,582)
(10,530)	Liabilities assumed/(extinguished) on settlements	(8,874)
(52,006)	Estimated benefits paid (net of transfers in)	(54,748)
8,234	Past service costs including curtailments	1,444
10,452	Contributions by scheme participants	10,645
(3,416)	Unfunded pension payments	(3,332)
<u>1,776,617</u>	Closing defined benefit obligation	<u>2,227,623</u>

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets:

2019/20		2020/21
£'000		£'000
1,132,797	Opening fair value of scheme assets	1,014,713
27,075	Interest on assets	14,952
(139,019)	Return on assets less interest	225,204
2,918	Other actuarial gains/(losses)	-
(880)	Administration expenses	(768)
36,192	Contributions by employer	31,539
3,416	Unfunded pension payments	3,332
10,452	Contributions by scheme participants	10,645
(52,006)	Estimated benefits paid (net of transfers in)	(54,748)
(3,416)	Unfunded pension payments	(3,332)
(2,816)	Settlement prices received/(paid)	(1,916)
<u>1,014,713</u>	Fair value of scheme assets at end of period	<u>1,239,621</u>

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2019/20		2020/21
£'000		£'000
(780,924)	Surplus / (Deficit) brought forward	(761,904)
(53,994)	Service Cost	(67,189)
36,192	Employer contributions	31,539
3,416	Unfunded pension payments	3,332
(880)	Administration expenses	(768)
(18,247)	Net interest on the defined liability/(asset)	(17,635)
52,533	Actuarial Gain/(Loss)	(175,377)
<u>(761,904)</u>	Surplus/(Deficit) as at 31 March	<u>(988,002)</u>

The estimated employer contribution to the scheme for the period 1 April 2021 to 31 March 2022 is £30.225m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021.

# NOTES TO THE FINANCIAL STATEMENTS

(ii) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2020/21 the Council paid £12.5m to the TPA at 23.68% of pensionable pay. The figures for 2019/20 were £11.42m (being £7.42m at 23.68% of pensionable pay and £4.0m at 16.48% of pensionable pay). The cost of added years payments to ex-staff was £1.5m (£1.5m in 2019/20). There were no contributions remaining payable at the year-end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. The benefits are fully accrued in the pensions liability detailed above.

(iii) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members' pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2020/21 the Council paid contributions of £122k to the NHSPS, being 14.38% of pensionable pay.

(iv) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members' pensionable salaries. In 2020/21 the Council paid contributions of £7.7k to NEST at 3.0% of pensionable pay.

## 24. Pooled Budgets for Health and Social Care

### Better Care Fund

The Better Care Fund (BCF) is the biggest ever financial incentive for the integration of health and social care. It requires Clinical Commissioning Groups and local authorities in every area of England to pool or align budgets and to agree an integrated spending plan for how they will use their Better Care Fund allocation.

Council is a partner in the pan-Dorset Better Care Fund which is owned by two Health and Wellbeing Boards:

- West
- East

Other partners are:

- NHS Dorset Clinical Commissioning Group
- Bournemouth, Christchurch & Poole Council

2019/20		2020/21	
£'000	£'000	£'000	£'000
		<b>Funding provided to the pooled budget:</b>	
73,735		Dorset Council	74,227
58,403		NHS Dorset CCG	59,821
	132,138		134,048
		<b>Expenditure met from the pooled budget:</b>	
73,735		Dorset Council	74,227
58,403		NHS Dorset CCG	59,821
	132,138		134,048
	-	<b>Net surplus arising on the pooled budget during the year</b>	-

### ICES

Within the Better Care Fund (BCF) the authority has entered into a pooled budget arrangement with BCP and NHS Dorset for Equipment for Living Service (ICES). The authorities and NHS Dorset have an agreement in place with the partners contributing funds to the agreed budget equal to 18% BCP, 15% Dorset Council and 67% NHS Dorset CCG. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by BCP on behalf of the 3 partners to the agreement.

2019/20		2020/21	
£'000	£'000	£'000	£'000
		<b>Funding provided to the pooled budget:</b>	
1,442		BCP Council	1,442
1,248		Dorset Council	1,248
5,540		NHS Dorset CCG	5,690
-		HDP Contribution	-
	8,230		8,380
		<b>Expenditure met from the pooled budget:</b>	
1,568		BCP Council	1,410
1,184		Dorset Council	1,232
6,197		NHS Dorset CCG	5,657
	8,949		8,299
	(719)	<b>Net surplus/(deficit) arising on the pooled budget during the year</b>	81
	(108)	<b>Authority share 15% of the net surplus</b>	12

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 26, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2019/20 Restated £000s		2020/21 £000s
978,500	Property, Plant & Equipment and Intangible Assets	990,521
8,530	Assets held for sale	4,937
<u>987,030</u>	Total Assets to be funded	<u>995,458</u>
(183,125)	Revaluation Reserve	(196,750)
<u>(480,758)</u>	Capital Adjustment Reserve	<u>(459,981)</u>
323,147	<b>Capital Financing Requirement 31 March</b>	<b>338,727</b>
(23,961)	Less Long Term PFI Liability	(22,289)
<u>(2,993)</u>	Less Obligations under Finance Leases	<u>(2,662)</u>
<u>296,193</u>	<b>Underlying Borrowing Requirement 31 March</b>	<b>313,776</b>

2019/20 £'000		2020/21 £'000
(539)	Increase/(Decrease) on the underlying need to borrow	17,584
<u>(539)</u>		<u>17,584</u>

## 26. Summary of capital expenditure and financing

	2020/21 £000s
<b>Opening CFR 1 April</b>	<b>323,147</b>
Capital Asset Additions	58,065
REFCUS Spend	2,113
PFI Additions	3,239
Lease Additions	76
Lease Error Posting	6
PFI Error	6
<b>Total Capital Investment</b>	<b>63,505</b>
PFI Error	6
PFI Lifetime Amortisation	278
Financing	(33,637)
MRP Charges	(14,572)
<b>Total Sources of Finance</b>	<b>(47,925)</b>
<b>Closing CFR 31 March</b>	<b>338,727</b>

This table gives details of capital spending by service, and how that spending was financed. The analysis above includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) set out in note 16.

Legislation requires REFCUS expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on Council Tax Payers. These items are generally expenditure on property not owned by the Authority. The capital financing requirement note above includes provision for this expenditure.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2020/21 and earlier years, which were not completed by 31 March 2021. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

Figures quoted for the previous year are the commitments on incomplete schemes as at that Balance Sheet date and not an analysis of cumulative expenditure against those projects at that date.

2019/20 £'000		2020/21 £'000
	<b>Children's Services</b>	
344	Pimperne Primary School replacement	344
858	Twynham Primary	584
145	St Osmunds extend to 6FE	-
30	Sherborne Abbey extension to 2FE	-
1,254	Wimborne First	759
146	Beaucroft Special School	-
150	Swanage St Mary's	-
-	Ferndown First School	1,319
-	Woodroffe School	2,150
	<b>Adult &amp; Community Services</b>	
25	Weymouth Library (Living & Learning)	-
642	Modular Housing (Wareham)	-
	<b>Whole Authority</b>	
2,421	Superfast Phase 3 & 4 Broadband	-
3,900	Ultrafast Broadband	1,317
-	DEFRA	3,703
	<b>Place Directorate</b>	
1,198	Weymouth Relief Road	2,761
522	Weymouth Beach Office	-
368	Bridport Highways Depot	308
-	Durlston Pleasure Grounds	131
-	Dorset Innovation - MOD	2,758

## 28. Heritage Assets

Dorset History Centre (DHC) is the home of the Joint Archives Service for Bournemouth, Christchurch & Poole Council and Dorset Council. The building is owned and maintained by Dorset Council but the revenue costs for the service are shared.

DHC holds the corporate archives of the two authorities along with a wide range of other public bodies and private institutions and individuals. Collection size varies from single items like a letter or title deed to several thousand boxes. In total we estimate the holdings to amount to over 1,070 cubic metres. Ownership of the collections is split between DC (its own archive but also all 'gifted' collections) and a wide range of corporate bodies and individuals.

The archive collections housed within the repository date back to 965, number over 9,700, and are made up of millions of individual items of paper, parchment, photographic (and other) images, maps, plans, volumes, digital and magnetic storage devices. The vast majority of material held by DHC is unique, i.e. no other copy exists and is therefore irreplaceable.

The three repositories in which the collections are stored meet the requirements of the standard BS4971 (Conservation and Care of Archive and Library Collections). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipe-card access. Only JAS staff and limited numbers of Registration staff can access them.

Placing a value on the collections is very difficult. In financial terms there are certainly items held here which would fetch many thousands, if not hundreds of thousands of pounds. However, the informational value and legal proof of millions of transactions is also huge, e.g. DC's corporate memory. Quantifying a monetary value would be extremely hard to do (and would come at a significant cost to the Authority).

There is no insurance held for the archive collections. This is quite standard for archive services where the security and integrity of the building itself, is the de facto insurance. Our Terms of Deposit state that the DHC does not insure collections and that insurance is the responsibility, if desired, of the owner of the records.

The Council also has the Old Crown Court and Cells, which are contained within the former Council's main office building in Dorchester, Stratton House. These are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The Council does not consider that reliable cost or valuation information can be obtained for the historic fittings within the courtroom. This is because of the diverse nature of the assets held and the lack of comparable market values.

## 29. Long-term debtors

An analysis of amounts due to the Council at 31 March 2021, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police expenditure prior to 1990, and is repayable by Dorset Police in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2019/20 £'000		2020/21 £'000
557	Other Local Authorities	488
5,086	Interest in Finance Leases	5,073
289	Interest in Operating Leases	289
4,414	Other	4,786
10,346		10,636

# NOTES TO THE FINANCIAL STATEMENTS

## 30. Inventories

The Council holds a number of stocks and stores. Stock levels are regularly reviewed to ensure that only necessary stocks are held. Equipment for disabled people issued under the pooled budget arrangement (detailed in Note 24 earlier in this document) has been included.

2019/20 £'000	Stocks	2020/21 £'000
644	Highways and Transportation	538
70	Fuel Scheme	74
130	DWP Inventories	154
423	Community Equipment Store	585
64	Moors Valley Country Park	61
8	Leisure Services	19
20	Bridport Harbour Shop	25
14	Tourist Information Centres	12
3	Misc small stock items	-
<u>1,376</u>		<u>1,468</u>

## 31. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2021 is shown below.

2019/20			2020/21	
Debtors £'000	Payments in advance £'000		Debtors £'000	Payments in advance £'000
19,993	-	Central Government Departments	22,970	-
4,792	305	Other Local Authorities	6,765	565
2,769	-	Health	4,654	-
6,668	-	Collection Fund	12,738	-
22,600	10,731	Other	22,223	11,505
<u>56,822</u>	<u>11,036</u>		<u>69,350</u>	<u>12,070</u>

## 32. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £90m may fall due to Dorset Council in respect of Section 106 (of the Town and Country Planning Act 1990) planning and CIL (Community Infrastructure Levy) agreements.

These amounts are not due, yet, but will accrue in future in line with the progress made on the developments covered by individual agreements.

## 33 Assets held for sale

As set out in the Accounting Policies section of this document, assets that meet the criteria are required to be accounted for and reported as being held for sale. Dorset Council had the following properties which met these criteria at the Balance Sheet date:

Property	Use/Business Segment	2020/21 £'000
Christchurch Adult Learning Centre	Adult & Community Services	2,100
Gillingham Adult Learning Centre	Surplus	330
Access Road & Licences for 139-189 Chickerell Road	Surplus	90
9 High Street, Fortuneswell	Surplus	27
Land adj to Beverley Road & Pemberton Close	Surplus	350
Land at Chafeys Roundabout and adjacent first sect	Surplus	250
Bridport Social and Education Centre - Land	Surplus	1,650
Fairfield Day Centre	Surplus	140
		<u>4,937</u>

## 34. Cash and cash equivalents

Cash and cash equivalents comprises balances held in current accounts, plus same-day notice interest-earning deposit accounts and low volatility money market funds as alternatives to temporary investments.



## NOTES TO THE FINANCIAL STATEMENTS

### 35. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2021 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2019/20		Analysis of Loans by maturity	2020/21	
PWLB £'000	Other £'000		PWLB £'000	Other £'000
21,054	16,142	<b>Short Term Borrowing</b> (less than 1 year)	<b>21,101</b>	<b>21,096</b>
1,034	-	Between 1 and 2 years	1,083	-
11,083	-	Between 2 and 5 years	10,000	-
10,000	-	Between 5 and 10 years	10,000	-
-	19,500	Between 10 and 15 years	-	19,500
-	-	Between 25 and 30 years	8,816	-
41,816	-	Between 30 and 35 years	33,000	-
-	15,000	Between 35 and 40 years	-	15,000
-	-	Between 40 and 45 years	-	25,000
-	81,600	More than 45 years	-	56,600
63,933	116,100	<b>Long Term Borrowing</b>	<b>62,899</b>	<b>116,100</b>
109,002	210,642	<b>Fair Value of Borrowing</b>	<b>108,020</b>	<b>199,969</b>
3.95%	3.41%	Average rate of interest	<b>3.94%</b>	<b>3.23%</b>

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 26, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

Other lenders include banks, building societies and local authorities that meet the criteria for borrowing in the approved treasury management strategy.

### 36. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2021 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2019/20			2020/21	
Creditors £'000	Receipts in advance £'000		Creditors £'000	Receipts in advance £'000
2,207	12,770	Central Government Departments	30,918	662
5,032	255	Other Local Authorities	5,423	37
-	-	Health	10,174	-
20,432	-	Collection Fund	23,023	-
49,522	10,884	Other	58,422	14,830
77,193	23,909		<b>127,960</b>	<b>15,529</b>

### 37. Provisions

The Council self-insures most of its insurance claims, funding these internally. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions at 31 March 2021 are as follows:

	Balance 1 April 2020 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2021 £'000
Misc Provisions	109	1,119	(336)	892
NNDR backdated appeals provision	15,319	-	(2,940)	12,379
Schools Reorganisations	2,381	15	(2,396)	-
CRC permits	-	-	-	-
General Insurance Provision	4,187	5	(114)	4,078
	<b>21,996</b>	<b>1,139</b>	<b>(5,786)</b>	<b>17,349</b>

### Insurance

The insurance provision of £4.078m as at 31st March 2021 (31st March 2020 £4.187m) is for to the Council's liabilities in respect of outstanding claims already reported.

It is expected that some insurance claims will be settled within the next financial year and others over the longer period of time, but it is not possible to say on a claim by claim basis when particular claims will be settled due to their varied nature.

Municipal Mutual Insurance (MMI) was the insurer of one of the predecessor Councils prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The predecessor Council elected to participate in the "Scheme of Arrangement", effectively becoming a "Scheme Creditor". The Council has paid back part of its claims for which it has received settlements since 1993 as the "Scheme of Arrangement" has been triggered. The Insurance amount covers this.

### NNDR Appeals Provision

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding rate payers who have successfully appealed against the rateable value of their properties on the rating list.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, which are at this stage unquantifiable and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

## 39. Trust funds and bequests

The Council administers a number of funds which have been established by gift or bequest. The bequests are for the benefit of certain Social Care or Library service users. These funds are held by the Council as trustees and are summarised below.

	Balance 1 April 2020 £'000	Income £'000	Expenditure £'000	Balance 31 March 2021 £'000	Capital 31 March 2021 £'000
B Norwood Bequest	2	-	-	2	63
T Elliott Bequest	1	-	-	1	55
M Dorling Bequest	1	-	-	1	67
	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>185</u>

## 40. Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital control system.

2019/20 Restated £'000		2020/21 £'000
484,500	Balance brought forward	480,758
(49,658)	Depreciation & Impairment	(52,216)
(5,762)	REFCUS	(2,113)
1,827	Net gains/(losses) on disposal of non-current assets	(2,453)
(13,334)	Net gains/(losses) on disposal of Academy assets	(12,202)
21,337	Minimum Revenue Provision	14,570
228	Capital Expenditure Charged to the General Fund	-
35,116	Release of Government Grant	33,141
6,504	Use of Capital Receipts	496
-	Transfer from revenue to fund capital expenditure	-
<u>480,758</u>	Balance carried forward	<u>459,981</u>

## 41. Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a creditor in the Balance Sheet. As with other changes in creditors, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2019/20 £'000		2020/21 £'000
4,748	Opening balance	(4,891)
(4,891)	Reverse previous year provision	4,891
	Current year provision	(7,484)
	(Charge)/credit to I&E	(2,593)
<u>(143)</u>	Closing balance	<u>(7,484)</u>
<u>(4,891)</u>		

## 42. Capital Grants Unapplied Account

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2019/20 £'000		2020/21 £'000
49,622	Balance brought forward	51,193
43,040	Receipts	71,337
125	Notional Interest	-
(35,116)	Transferred to Capital Adjustment Account	(33,141)
(6,478)	Adjusted to revenue earmarked reserves	(4,410)
<u>51,193</u>	Balance carried forward	<u>84,979</u>

## 43. Revaluation Reserve

This account records the net gain (if any) from revaluations made after 1 April 2007 from holding non-current assets.

2019/20 Restated £'000		2020/21 £'000
139,847	Balance brought forward	183,125
54,507	Revaluation gains on property, plant & equipment	25,634
(8,281)	Charges for depreciation & Impairment of non-current assets	(5,687)
(1,080)	Net (gains)/losses on reversing out historic upward revaluation on disposal of non-current assets	(1,313)
(1,868)	Net (gains)/losses on disposal of Academies	(5,009)
<u>183,125</u>	Balance carried forward	<u>196,750</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account comprises the accumulated unrealised gains or losses made by the Council arising from changes in the fair value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is increased when investments are revalued upwards, and the balance is reduced when investments are revalued downwards, or disposed of and the gains are realised.

2019/20 £'000		2020/21 £'000
3,116	Balance brought forward	(5,629)
46	Transfer from Available for Sale Financial Instruments Reserve	-
(8,791)	Gains/(Losses) on revaluation of investments	9,271
(5,629)	Balance carried forward	3,642

### 45. 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.

2019/20 £'000		2020/21 £'000
(4,786)	Balance brought forward	(13,785)
(9,336)	Deferred premia on early repayment of debt	-
322	Release of deferred premia	322
17	Charge to CIES for Local Government Reorganisation disaggregation amount	-
(2)	Soft Loan Interest Adjustment	276
(13,785)	Balance carried forward	(13,187)

### 46. Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme. The credit balance reflects 2018/19 receipts being used to finance the programme.

2019/20 £'000		2020/21 £'000
12,975	Balance brought forward	(325)
4,097	Net (gains)/losses on disposal of non-current assets	4,432
(12)	Usable Capital Receipts funding revenue income from finance leases	(12)
(6,504)	Use of Capital Receipts to finance new capital expenditure	(496)
(10,881)	Flexible use of capital receipts	-
-	Reclassifications between balances and Reserves	-
(325)	Balance carried forward	3,599

### 47. Collection Fund Adjustment Accounts

The Council Tax Collection Fund Adjustment Account holds the movement between the Council Tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2019/20 £'000		2020/21 £'000
7,264	Balance brought forward	(291)
(7,555)	Movement in year	(2,302)
(291)	Balance carried forward	(2,593)

The Non-Domestic Rates (NDR) Collection Fund Adjustment Account holds the movement between the NDR income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2019/20 £'000		2020/21 £'000
(2,407)	Balance brought forward	(624)
1,783	Movement in year	(21,195)
(624)	Balance carried forward	(21,819)

A deficit of £22m on the NDR collection fund is mainly due to the additional retail, hospitality and leisure grants awarded to businesses as a result of the Covid pandemic. These are fully funded by central government via a (S31) grant which is captured and reported within the Earmarked Reserves note.

# NOTES TO THE FINANCIAL STATEMENTS

## 48. Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes as follows: -

	Balance 1 April 2020 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2021 £'000
<b>General Fund</b>				
(a) Financial strategy	31,011	-	(1,317)	29,694
(b) PFI Reserves	5,835	3,350	(828)	8,357
(c) Insurance Reserve	6,043	1,777	(1,723)	6,097
(d) Trading Account Reserves	233	68	(36)	265
(e) Transformation Fund	4,955	3,600	(950)	7,605
(f) Other Reserves	32,429	(3,655)	(16,657)	12,117
(g) Repairs & maintenance	116	464	(404)	176
(h) Unused Grant Funds	18,355	12,425	(11,013)	19,767
(i) Infrastructure related	6,396	4,514	(2,801)	8,109
(j) Innovation	995	53	(214)	834
<b>Sub-total</b>	<b>106,368</b>	<b>22,596</b>	<b>(35,943)</b>	<b>93,021</b>
(k) Section 31 Grant Reserve	(196)	42,320	(1,527)	40,597
(l) Public Health inc Covid funding	1,047	10,818	(6)	11,859
(m) DSG deficit	(21,803)	21,918	(115)	-
(n) Covid	-	11,143	(10,066)	1,077
<b>Total Revenue Reserves</b>	<b>85,416</b>	<b>108,795</b>	<b>(47,657)</b>	<b>146,554</b>

### (a) Financial strategy

This reserve provides support to balance the Council's financial strategy over the five-year planning period and underpins any risks of overspend in the current year caused by volatility of sensitive budget assumptions.

### (b) PFI reserves

These reserves are sinking funds held for replacement furniture and equipment, and to cover additional costs of any future legislative changes.

### (c) Insurance reserve

This is in addition to the provision referred to above, to cater for any claims not covered by that sum.

### (d) Trading Account reserves

The balance held in this reserve represents retained surpluses from traded services which are reinvested in future services.

### (e) Transformation fund

This reserve was set up to fund investment expenditure that would generate reductions in revenue costs.

### (f) Other reserves

Various reserves to cover partnership working, one-off activities or smooth future cost pressures or activities that may be required where a grant or budget may not be available. The reserve also covers the risks of cost overruns on projects, costs that are contingent upon project outcomes and potential conversion of schools to sponsored academies.

### (g) Repairs & maintenance

This is a residual, predecessor councils' reserve that was established to provide short-term support for the revenue budget for repairs and maintenance. It is likely to be used completely within the next financial year.

### (h) Unused grant funds

Various reserves to fund future expenditure where the received grant for the work or service has not been fully utilised in the year.

### (i) Infrastructure

Various reserves to cover infrastructure development in the area.

### (j) Innovation

Associated reserves linking to Enterprise Zone and related business park developments.

### (k) Section 31 Grant Reserve

This reserve holds unapplied Section 31 grant, and includes £29.2m to cover business rate relief to retail, hospitality and leisure services.

### (l) Public Health

Reserved underspends from the Public Health grant, to cover any future related Public Health activity or budget pressures that may arise and associated Covid related grants (Contain Outbreak Management).

### (m) DSG deficit

Reserve specific for the Dedicated Schools Grant. The deficit reserve was established in 2019/20 for the first time for Councils to reflect changes made to DSG accounting arrangements so they do not impact on general funds. The deficit has now been moved into an unusable reserve due to the introduction of a statutory instrument.

### (n) Covid

Reserve specific for Covid related Council activities (excludes Public Health related activity, captured under i)

## 49. Movement in General Fund balances

Total balances increased by £7.6m during the year to £38.4m. There is more information on reserves and balances in the Narrative Statement.

2019/20		2020/21				
£'000		General £'000	LMS* £'000	Retained Schools £'000	Capital £'000	Total £'000
14,972	Brought forward	28,199	2,572	-	-	30,771
8,889	Use in year	-	(2,572)	-	-	(2,572)
6,910	Additions/outturn	2,781	7,426	-	-	10,207
30,771	Carried Forward	30,980	7,426	-	-	38,406

\* LMS - balances held on behalf of schools under the scheme for Local Management of Schools.

Notes to the Cash Flow Statement

50) Net Cash flows from operating activities

Restated As at 31 March 2020		As at 31 March 2021
(3,964)	Interest received	(3,124)
7,242	Interest paid	7,766
<u>3,279</u>		<u>4,642</u>
Restated As at 31 March 2020		As at 31 March 2021
18,268	Depreciation	38,806
5,878	Impairment	13,557
1,195	Amortisation	1,214
(8,456)	Increase/(decrease) in impairment for bad debts	(2,229)
(11,344)	Increase/(decrease) in creditors	42,387
31,572	(Increase)/decrease in debtors	(11,623)
(9)	(Increase)/decrease in inventories	(92)
33,513	Movement in pension liability	50,721
46,823	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,015
48,987	Other non-cash items charged to the net surplus or deficit on the provision of services	(13,922)
<u>166,427</u>		<u>143,834</u>
Restated As at 31 March 2020		As at 31 March 2021
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(4,097)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,432)
-	Any other items for which the cash effects are investing or financing cash flows	-
<u>(4,097)</u>		<u>(4,432)</u>

**51) Net Cash flows from investing activities**

Restated As at 31 March 2020	As at 31 March 2021
(51,445) Purchase of property, plant and equipment, investment property and intangible assets	(61,377)
(38,295) Purchase of short-term and long-term investments	(7,000)
4,097 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,432
42,295 Proceeds from short-term and long-term investments	7,000
0 Other receipts from investing activities	-
<b><u>(43,348)</u> Net cash flows from investing activities</b>	<b><u>(56,945)</u></b>

**52) Net Cash flows from financing activities**

Restated As at 31 March 2020	As at 31 March 2021
5,879 Cash receipts of short- and long-term borrowing	5,001
(5,369) Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(2,003)
(20,923) Repayments of short- and long-term borrowing	(1,034)
<b><u>(20,413)</u> Net cash flows from financing activities</b>	<b><u>1,964</u></b>

### 53. Critical accounting judgements

In applying the accounting policies set out in this document, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statement are:

#### (i) Asset classifications, valuations and useful lives

The Council has made judgements on whether assets are classified as investment property, property, plant and equipment or assets held for sale. These judgements are based on the principal reason for the Council holding that asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council it is deemed to be property, plant and equipment. If there is no subsidy and/or full market rent is being charged, or the property is held purely for capital appreciation purposes, this would indicate that the asset is an investment property. Where assets are held only because they have not yet been sold, but an active disposal process is in place, the property is deemed to be an asset held for sale. The classification determines the valuation and depreciation method used and drives the useful economic life.

As part of the 2021 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

#### (ii) Lease classifications

The accounting treatment for operating and finance leases is significantly different and could have a material effect on the accounts. The Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

The introduction of IFRS 16 (the international financial reporting standard for leases) means that the Council will be required to review and potentially change some of its current treatment of leases, so there is greater consistency between items that are currently deemed to be either finance leases or operating leases. In future, almost all leases lasting more than one year will need to be shown on the Balance Sheet. This could have a material impact on the value of assets reported on the Council's Balance Sheet when the new standard is incorporated into the Code in 2024/25.

#### (iii) Providing for potential liabilities

The Council has given consideration to and made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending legal actions based on experience in previous years or in other local authorities.

#### (iv) Assessment of the requirement for group accounts

The Council applies a series of tests, on an annual basis, to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement to produce consolidated accounts. The Council has assessed its current portfolio of arrangements as immaterial for the purposes described and group accounts are therefore not produced. Information about joint venture arrangements and other related parties is disclosed elsewhere in this document.

### 54. Sources of estimation uncertainty

The financial statements include some figures that are estimates, 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 best professional judgements of the future. However, amounts cannot be expressed with absolute certainty, so actual results could differ from these estimates.

#### Pension liability

There is one item in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year and that is the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Council therefore discloses information about the fund at various relevant points, throughout this document.

#### Property, plant and equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Assets are valued on a five-year rolling basis.

#### Covid-19 Material Valuation Uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

As part of the 2021 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended to keep the valuation of these properties under frequent review. These uncertainties extend across note 22 in relation to land and buildings.

The statement of accounts contains estimated figures that are based on assumptions made by the authority 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.

**55. Business Improvement Districts**

The Council acts as an agent, collecting Business Improvement District (BID) levy income on behalf of four BIDs and distributing this income to each of them when requested by the Board. The Council maintains separate accounts for the transactions relating to each BID and these are not included in the Council's Comprehensive Income and Expenditure Statement.

The balances as at 31 March 2021 relating to the BIDs are as shown below.

	<b>Credits from previous years £'000</b>	<b>Levy Income raised £'000</b>	<b>Amounts paid to the BID £'000</b>	<b>Amounts written off £'000</b>	<b>Refunds £'000</b>	<b>Provision for bad debts £'000</b>	<b>Balance on the Account £'000</b>
Wimborne	(1)	(85)	78	-	-	-	(8)
Ferndown & Uddens	(7)	(117)	119	-	-	-	(5)
Dorchester	(5)	(118)	92	-	-	15	(16)
Weymouth	(29)	(286)	228	1	-	69	(17)
<b>Total</b>	<b>(42)</b>	<b>(606)</b>	<b>517</b>	<b>1</b>	<b>-</b>	<b>84</b>	<b>(46)</b>



## COLLECTION FUND

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

	2019/20			2020/21		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>INCOME</b>						
Council Tax	305,473	-	305,473	316,841	-	<b>316,841</b>
Council Tax S13A(1)C Relief	-	-	-	1,782	-	<b>1,782</b>
Non-Domestic Rates	-	99,203	99,203	-	48,858	<b>48,858</b>
<b>TOTAL INCOME</b>	<b>305,473</b>	<b>99,203</b>	<b>404,676</b>	<b>318,623</b>	<b>48,858</b>	<b>367,481</b>
<b>PRECEPTS / NDR DISTRIBUTION</b>						
Central Government	-	47,499	47,499	-	48,293	<b>48,293</b>
Dorset Council	241,345	46,549	287,894	251,525	47,327	<b>298,852</b>
Dorset Police Authority	34,146	-	34,146	35,705	-	<b>35,705</b>
Dorset Fire Authority	11,087	950	12,037	11,333	966	<b>12,299</b>
All Parishes	15,162	-	15,162	15,899	-	<b>15,899</b>
<b>PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED</b>						
Central Government	-	26	26	-	(2,128)	<b>(2,128)</b>
Dorset Council	7,122	25	7,147	-	(2,086)	<b>(2,086)</b>
Dorset Police Authority	922	-	922	-	-	<b>-</b>
Dorset Fire Authority	325	1	326	-	(43)	<b>(43)</b>
<b>ALLOWANCES TO CHARGING AUTHORITY</b>						
Non-Domestic Rate Cost Of Collection	-	617	617	-	619	<b>619</b>
Transitional Protection Payments	-	(1,264)	(1,264)	-	29	<b>29</b>
Renewable Energy Scheme	-	282	282	-	645	<b>645</b>
Enterprise Zones	-	25	25	-	18	<b>18</b>
<b>PROVISION FOR APPEALS</b>						
Increase/(Decrease) To Provision	-	(1,500)	(1,500)	-	(6,000)	<b>(6,000)</b>
<b>PROVISION FOR BAD DEBTS</b>						
Increase/(Decrease) To Provision	4,035	1,418	5,453	6,869	5,193	<b>12,062</b>
<b>TOTAL DEDUCTIONS</b>	<b>314,144</b>	<b>94,628</b>	<b>408,772</b>	<b>321,331</b>	<b>92,833</b>	<b>414,164</b>
Surplus / (Deficit) Arising In Year	(8,671)	4,575	(4,096)	(2,708)	(43,975)	<b>(46,683)</b>
Balance B/F 1st April	8,329	(5,003)	3,326	(342)	(428)	<b>(770)</b>
Balance C/F 31st March	(342)	(428)	(770)	(3,050)	(44,403)	<b>(47,453)</b>

## NOTES TO THE COLLECTION FUND

### 1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2020/21, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	14.6	5/9	8.1
A	11,505.9	6/9	7,670.6
B	21,993.2	7/9	17,105.8
C	33,440.0	8/9	29,724.4
D	31,101.7	9/9	31,101.7
E	24,844.7	11/9	30,365.8
F	14,205.2	13/9	20,518.6
G	7,323.2	15/9	12,205.4
H	600.1	18/9	1,200.2
	<b>145,028.6</b>		<b>149,900.6</b>
<b>Class O exempt dwellings</b>			422.0
<b>Council Tax Base for Revenue Support Grant Purposes</b>			<b>150,322.6</b>
<b>Reduction due to the Council Tax Reduction Scheme</b>			<b>(1,911.8)</b>
<b>Council Tax Base for Council Tax Setting Purposes</b>			<b>148,410.8</b>

### 2. INCOME FROM BUSINESS RATEPAYERS

The Council collects Business Rates on behalf of the Government based on local rateable values and National multipliers as follows:

	2019/20	2020/21
Rateable value at year-end	£288,438,331	288,911,365
National Multiplier	50.4p	51.2p
Small Business Multiplier	49.1p	49.9p

### 3. ALLOCATION OF COLLECTION FUND SURPLUS / (DEFICIT)

2020/21	COUNCIL TAX £'000	NDR £'000	TOTAL £'000
Central Government	-	(22,202)	<b>(22,202)</b>
Dorset Council	(2,593)	(21,758)	<b>(24,351)</b>
Dorset Police Authority	(348)	-	<b>(348)</b>
Dorset Fire Authority	(109)	(444)	<b>(553)</b>
<b>Total Deficit As At 31 March 2021</b>	<b>(3,050)</b>	<b>(44,404)</b>	<b>(47,454)</b>
	<b>2019/20</b>	<b>COUNCIL TAX £'000</b>	<b>NDR £'000</b>
Central Government	-	(214)	<b>(214)</b>
Dorset Council	(291)	(210)	<b>(501)</b>
Dorset Police Authority	(39)	-	<b>(39)</b>
Dorset Fire Authority	(12)	(4)	<b>(16)</b>
North Dorset District Council	-	-	-
<b>Total Deficit As At 31 March 2020</b>	<b>(342)</b>	<b>(428)</b>	<b>(770)</b>

## **Dorset Council Accounting Policies**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act as they apply to Local Authorities in England.

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed and the accounts include relevant accruals.

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Therefore, where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

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, except where disclosed otherwise in accounting policies or notes, or where required by International Financial Reporting Standards (IFRS).

Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories; and certain financial assets, liabilities and instruments.

The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The Council's policy is that revenues are recognised when they are realisable and are earned (usually when goods are transferred or services rendered), no matter when cash is received.

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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.

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest (e.g. for finance leases) are reported in service accounts. An analysis of all interest payable is disclosed in the notes to the Financial Statements.

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.

### **3. 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 in 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.

In the Cash Flow Statement, 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.

### **4. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

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.

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

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

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 authority's financial position or financial performance. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

### **5. 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
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**6. COUNCIL TAX AND NON-DOMESTIC RATES**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

For council tax, the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

For NDR, this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

**Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**7. EMPLOYEE BENEFITS****Benefits Payable During Employment & Termination Benefits**

Salaries, wages and employment-related payments and any termination benefits are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services, in accordance with International Accounting Standard 19 (IAS 19).

**Post-employment Benefits**

The cost of pensions is accounted for in accordance with IAS 19.

The net total of the following amounts is recognised in the Surplus or Deficit on the Provision of Services except to the extent that the Code requires or permits their inclusion in the cost of an asset:

- a) current service cost
- b) interest cost
- c) the expected return on any plan assets and on any reimbursement right recognised as an asset
- d) past service cost
- e) the effect of any curtailments or settlements
- f) actuarial gains and losses.

**Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The accounting treatment for employee benefits is in accordance with CIPFA Code guidance.

## **8. EVENTS AFTER THE BALANCE SHEET DATE**

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. The nature and estimated financial effect of non-adjusting events is disclosed in the Financial Statements if material and it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

## **9. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a 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 (CIES) 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.

### **Short-term financial liabilities**

Short-term liabilities including short-term borrowing and trade payables are carried at fair value.

### **Long-term financial liabilities**

Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

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 and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, 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 CIES, 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 in the Movement in Reserves Statement.

### Financial Assets

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

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

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

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Expected Credit Loss Model

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

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

### Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques including independent appraisal of company valuations.

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

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

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 derecognition 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).

## **10. FOREIGN CURRENCY TRANSLATION**

In accordance with IAS 21, income and expenditure arising from transactions in foreign currency are translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **11. 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:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.



Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 (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.

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

#### Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council.

A BID scheme has operated within Wimborne since 1st August 2011 and in Ferndown & Uddens since 1 September 2014. BIDs are funded through a levy paid by non-domestic ratepayers within the BID area. The Wimborne BID is delivered by Wimborne BID Limited and the Ferndown & Uddens BID is delivered by Ferndown & Uddens BID Limited, each with its own Board of Directors. The Council, in its capacity as the billing authority for the area, is acting as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated. The transactions relating to the Wimborne and Ferndown & Uddens BIDs are not included in the Council's Comprehensive Income and Expenditure Account, but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the Wimborne and Ferndown & Uddens BIDs are disclosed in notes to the Financial Statements.

Another BID scheme applies to the Dorchester Town Council area and is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## 12. HERITAGE ASSETS

FRS 30 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

Dorset Council has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture.

Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS 30 and the Code (4.10.2.7) do not apply to such assets.

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS 30. The standard states that the valuation may be made by any method that is appropriate and relevant. Buildings are valued at depreciated replacement cost. Other Heritage assets are not deemed to have a

material value and the cost involved in valuing them would be disproportionate to the benefit received by the users of these Financial Statements.

Dorset also owns significant volumes of archive information and collections. These are not included in the Balance Sheet as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

### **13. INTANGIBLE ASSETS**

#### **i Recognition**

Expenditure on the purchase of computer software licences is capitalised as intangible non-current assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in IAS 38; there are no such assets for Dorset Council.

#### **ii Measurement**

Purchased intangible assets are capitalised at cost, and are unlikely to be revalued unless there is a readily ascertainable market value.

#### **iii Amortisation**

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are amortised over periods ranging up to five years.

#### **iv Charges to revenue**

Capital charges to services are for depreciation or impairment. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

#### **v Impairment**

Impairment of intangible assets is taken to the Revaluation Reserve in the first instance, and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero.

#### **vi Reversal of impairment**

Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

### **14. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council reviews its interests in companies and other entities that have the nature of joint ventures and could require it to prepare group accounts. This position is reviewed and updated on an annual basis. In the authority's own single-entity accounts, the interests in companies and other entities would be recorded as financial assets at cost, less any provision for losses.

If applicable, Dorset Council Group Accounts would be produced using the Equity Method of consolidation. The Dorset Council Group position would be shown either in separate, or alongside the Authority only single-entity Financial Statements.

If consolidated group accounts were required, disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

### **15. INVENTORIES**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either FIFO or the weighted average costing formula dependent on the item being valued.

Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

### **16. LONG-TERM CONTRACTS**

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **17. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

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 joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

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

### **18. 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 authority 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).

##### **Statements**

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is

shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Council as Lessor

##### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent 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 lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2022/23 accounts.

**19. LEASE TYPE ARRANGEMENTS**

IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:

- (a) fulfilment of the arrangement depends on a specific asset
- (b) the arrangement conveys a right to control the use of the asset.

In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly. The Council has no such arrangements in place.

**20. OVERHEADS AND SUPPORT SERVICES**

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

**21. PROPERTY, PLANT & EQUIPMENT****i Recognition**

The Code requires Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS 13 and IAS 16.

A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

- (a) it is held for use in delivering services or for administrative purposes
- (b) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority
- (c) it has a useful economic life of more than one year
- (d) the cost of the item can be measured reliably.

The valuations have been undertaken in accordance with RICS Valuation Global Standards (The Red Book) and the RICS UK National Supplement 2018 (effective from January 2019) and the IFRS based Code of Practice on Local Authority Accounting 2020/21 (The Code).

Property, plant and equipment (PPE):

These assets form the majority of the Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others, but would not be held solely for that purpose or they would be re-classified as investment assets (INV).

PPE assets are tangible fixed assets that bring longer-term economic benefits or service potential to the authority

**Property, plant and equipment - Surplus (PPES):**

Surplus Assets are formerly PPE assets which have been declared surplus to service needs and the needs of the Council. These are non-operational assets which are yet to meet the criteria of asset held for sale (AHS).

**Assets held for sale (AHS):**

Assets held for sale is the next classification afforded to PPES assets which are being marketed for disposal. The asset must be immediately available for sale and the sale of the property must be highly probable and anticipated to be within a year. AHS should be measured at the lower of carrying amount and fair value less costs to sell.

**ii Measurement**

Assets will be valued to either Fair Value (FV) or Current Value (CV):

**Fair Value (FV)** - defined under IFRS as: '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'. Fair

Value applies to the measurement of PPES and AHS categories of assets. For most practical purposes the figure to be reported as the Fair Value of an asset is likely to be conceptually the same as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

Current Value (CV) – defined as: the amount that would be exchanged for the asset in its existing use. Several methods are identified as appropriate for arriving at a CV.

Existing Use Value (EUV) - is used where a readily identifiable active market exists for the use and utilises comparable data and judgement to arrive at the current value. EUV is defined as: The estimated amount for which a property should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology the 'instant build' approach is used. This method of valuation is applied to assets for which there is a good degree of observable specialisation or for which there is no readily reliable or observable market data. It should be noted that the DRC method of valuation does not represent the figure that could be achieved if the asset were to be placed on the market for sale. It is a representation of the value of the asset to the authority while it is providing service potential.

Where insufficient market-based evidence of current value is available because an item of property, plant and equipment is specialised and/or rarely sold, the Code permits the use of depreciated replacement cost (DRC).

Assets are re-valued with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the 2021 valuation report is prepared.

Comparable evidence, Building Cost Information Service (BCIS) build costs and Baseline build costs will be compiled and assessed and utilised as appropriate to provide the values for each asset. Dorset Property Buildings and Design services will be utilised to provide component details for each asset as required, including updates to previously componentised assets as required and where replacement of elements has occurred.

In respect of DRC valuations the Valuer will rely on projected BCIS data utilising the fourth quarter 2020 average prices index for the relevant class of asset. Due regard will be given to the Baseline cost directive where appropriate.

In respect of DRC calculations where multiple age buildings exist on one site, an average age and obsolescence factor will be applied, taking into account the age and type of structures and the anticipated replacement cycle of the asset as assessed by the service head/asset team.

Valuations of land may include calculations utilising a Residual Valuation approach to arrive at a Fair Value where there is limited suitable comparable data to available.

Section 2.10.2.29 of the Code iterates IFRS 13 in the provision of valuation hierarchy levels for assets classified as PPES and AHS to increase consistency and comparability in fair value measurements and related disclosures. These are categorised into three levels:

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

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The assets valued in the 2021 valuation report are not identical and therefore hierarchy 1 reporting and disclosure is not possible. All assets held at PPES and AHS attract a hierarchy Level 2 unless specifically stated in the special assumptions of the 2021 valuation report.

Where the MV of an asset valued using the DRC method is:

- significantly lower than that attributed to the continued occupation and use by the Authority it will be noted in the notes section of the summary valuation.
- significantly higher for a readily identifiable use the value will also be given in the same notes section.

County Farms are categorised as Property Plant and Equipment (PPE) and have been valued on a EUV basis as tenanted farms to be re-let on a rolling and planned basis for the foreseeable future due to established Council policy drivers. There will be occasional rationalisation of farm units which may release additional value but which would not be appropriate to report against any of the assets due to the overriding principle of maintaining a County Farm asset base. The County Farms are valued using capitalised net income flows: this approach excludes any alternative use, FV basis or break-up value: if those policies were reversed all County Farms would display considerably higher FV figures

As part of the 2021 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

The valuation is produced by an external professional RICS Accredited Scheme Valuer, NPS Group, and reviewed in-house by one or more RICS Accredited Scheme Valuers within the Estates and Assets Service, with a valuation date of 1 January 2021, except County Farms which is 1 April 2020. Some property assets and County Farms were valued in-house.

Further to information in note 57 i(b) in relation to Covid-19 valuation uncertainties, the Covid-19 pandemic has introduced material uncertainty into the valuation of these assets.

### **iii Impairment**

Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

### **iv Reversal of impairment**

Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the

carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

#### **v Disposals**

Capital receipts from the disposal of property and other assets owned by the Council, less up to 4% of the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the Council, initially as predecessor councils prior to Local Government Reorganisation, has started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget.

#### **vi Gains and losses on disposal of assets**

A gain or loss arises when the proceeds from the sale of an asset differ from the net book value of that asset in the Balance Sheet. The gain or loss is shown in the Other Operating Income & Expenditure section of the Comprehensive Income & Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

#### **vii Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight line basis.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

#### **viii Charges to revenue**

Capital charges to services are for depreciation and/or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

#### **ix Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

#### **x Componentisation**

Component accounting became a requirement of the CIPFA Code since 1 April 2010, and was applied (prospectively) by the predecessor councils. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.



The annual valuation exercise that is carried out by the Authority re-values a proportion of the Council's assets each year. A policy is applied for assessing these assets for componentisation. All assets that are above the materiality threshold have now been componentised.

#### **xi Component derecognition**

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double-counting and the new component reflected in the carrying amount, subject to the recognition principles set out in accounting policy 25(i) and 25(ix). This includes derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

#### **xii Residual values**

The Council does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

#### **xiii Highways infrastructure assets**

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

##### **a) Recognition**

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

##### **b) Measurement**

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

##### **c) Depreciation**

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

##### **d) Parts of the highways network Straight Line Basis**

Carriageways/footways/cycle tracks	25 years
Structures (bridges, tunnels and underpasses)	100 years
Coast Protection Infrastructure	50 years

##### **e) Disposals and derecognition**

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

**22. PRIVATE FINANCE INITIATIVE (PFI) SCHEMES**

The Council is party to two long-term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. The Council accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). Both schemes are recorded as assets in the Council's Balance Sheet with corresponding liabilities which are discharged over the period of the contract.

**23. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS****Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an 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), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally. Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

**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.

**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 authority.

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.

**24. RESERVES**

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

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

**25. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Where capital expenditure does not result in the acquisition of a non-current asset, or is incurred on an asset not belonging to the Council (such as a Voluntary Aided school), the project expenditure is charged directly to the relevant service in the year it is completed, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

**26. SCHOOLS**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) 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 (and not the Group Accounts). 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.

**27. 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.

**28. FAIR VALUE MEASUREMENT**

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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.

**29. REDEMPTION OF DEBT**

The Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement as a Minimum Revenue Provision (MRP). How funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices, is reflected in the Statement of Movement in Reserves and disclosure notes to the accounts in relation to the Capital Adjustment Account and General Fund Balance. Details are shown in the notes to the Financial Statements.

**30. DONATED ASSETS**

Donated assets, transferred to the Council for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income & Expenditure

Statement as income unless the transfer has a condition that the Council has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met. Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other non-current assets.

### **32. ACQUIRED AND DISCONTINUED OPERATIONS**

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any 'machinery of government' changes are neither acquired nor discontinued operations. Similarly, activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

Notwithstanding this, there is a disclosure note to the accounts which provides information about schools which achieved/plan to achieve Academy status in 2020/21 and 2021/22.

### **33. EXCEPTIONAL ITEMS**

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



# Annual Governance Statement 2020-21



Good Governance is about how the Council strives to do the right things, in the right way and for the benefit of the residents it serves.

**PLEASE NOTE THAT MUCH OF THE DETAIL ON HOW YOUR COUNCIL OPERATES CAN BE FOUND IN THE LOCAL CODE OF CORPORATE GOVERNANCE THAT SUPPORTS THIS STATEMENT**

**Supported by:**

**Appendix A – Local Code of Corporate Governance**

**Appendix B – Summary of High Corporate - Service Risks**

**Foreword:** Dorset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

Please note that this document is the second Annual Governance Statement for Dorset Council, following its inception on 1 April 2019. The CIPFA/SOLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and this document sets out seven core principles that underpin the governance framework.

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



**Matt Prosser**  
Chief Executive  
Dorset Council

A handwritten signature in black ink that reads "Matt Prosser".



**Cllr Spencer Flower**  
Leader  
Dorset Council

A handwritten signature in black ink that reads "Spencer Flower".

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## 1. Key Elements of the Council’s Governance Framework

- 1.1 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions. The Governance Framework is comprised of the systems and processes, and culture and values, by which the Council is directed, and its activities through which it is accountable to, engages with and leads the community.
- 1.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The process of review and monitoring of governance arrangements across Dorset Council is an ongoing process with updates provided throughout the year to stakeholders. The outputs from this process have also been a primary source of information for the preparation of the Annual Governance Statement (AGS). This Statement explains how the Council has complied with The Code and meets the requirements of Accounts and Audit (England) Regulations 2015 regulation 6, in relation to conducting a review of the effectiveness of the system of internal control and the publication of an annual governance statement.

## 2. Overview of Dorset Councils Governance framework

- 2.1 The sections below provide an overview of the Councils key governance arrangements.

<b>Council, Cabinet and Leader</b>	<ul style="list-style-type: none"><li>• Provide leadership, approve the budget, develop, and set policy</li><li>• Approve the Constitution which sets out how the council operates</li><li>• Agree Council Plan priorities, developed in consultation with residents and stakeholders</li></ul>
<b>Decision making</b>	<ul style="list-style-type: none"><li>• All decisions made in compliance with law and council constitution</li><li>• All committee meetings are accessible to public, other than for exempt business</li><li>• Decisions are recorded on the council website</li></ul>
<b>Scrutiny and review</b>	<ul style="list-style-type: none"><li>• The Scrutiny Committee structure review council policy and challenge decisions.</li><li>• The Audit and Governance Committee reviews governance and promotes and maintains high standards of conduct by councillors</li></ul>
<b>Risk Management</b>	<ul style="list-style-type: none"><li>• A risk management policy and strategy set out a clear approach to management of risks</li><li>• Risk registers identify strategic, operational and project risks</li></ul>



### 3. Leadership

- 3.1 Senior Leadership Team - Head of Paid Service is the Chief Executive and is responsible for all employees and serving an effective council. Executive Director for Corporate Development is the Council's Section 151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money. The Corporate Director (Legal and Democratic Services Monitoring Officer) who is responsible for ensuring legality and promoting high standards of conduct in public life. Under Section 18(2) of the Children Act 2004, Local Authorities in England have a duty to appoint a Director of Children's Services. Local Authorities in England are also required to appoint a Director of Adult Services. The Council's Constitution is updated throughout the year and sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees, and partners. Decision making powers not reserved for councillors are delegated to chief officers and heads of service. Elected members scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners.
- 3.2 The Council's committee structure as set out in the Constitution was reviewed by Full Council on 18 February 2020 and replaced the four overview and scrutiny committees with two overview committees and two scrutiny committees. The Council's overall policy is represented through the Council Plan which was formally adopted by Full Council on 18 February 2020. The plan developed alongside the budget through consultation with residents and other stakeholders in the county, and which sets out how Dorset Council priorities will be delivered. We understand that effective performance management relies on close monitoring and assessment of a variety of measures from across the Council. These range from the highest-level strategic measures – the council's key performance indicators (KPIs), through to the multitude of lower level metrics and measures which support individual services and teams. Strategic level outcomes associated with measuring the successful delivery of the council plan and oversight of the Council's overall performance. The strategic reporting consists of:

<b>Quarterly reporting</b>	<ul style="list-style-type: none"><li>• Progress with the Dorset Council Plan to the Corporate Leadership Team and the Cabinet</li></ul>
<b>Balanced scorecard reporting</b>	<ul style="list-style-type: none"><li>• Service performance: monthly to Corporate Leadership Team; monthly to Performance Leadership Group (executive directors and portfolio holders); and quarterly to the Place and Resource Overview Committee and the People and Health Overview Committee</li></ul>
<b>Quarterly risk management and internal audit updates</b>	<ul style="list-style-type: none"><li>• Audit and Governance Committee. The Committee has an assurance role on this overarching framework and will refer any areas of high-level concern to the appropriate overview committee.</li></ul>

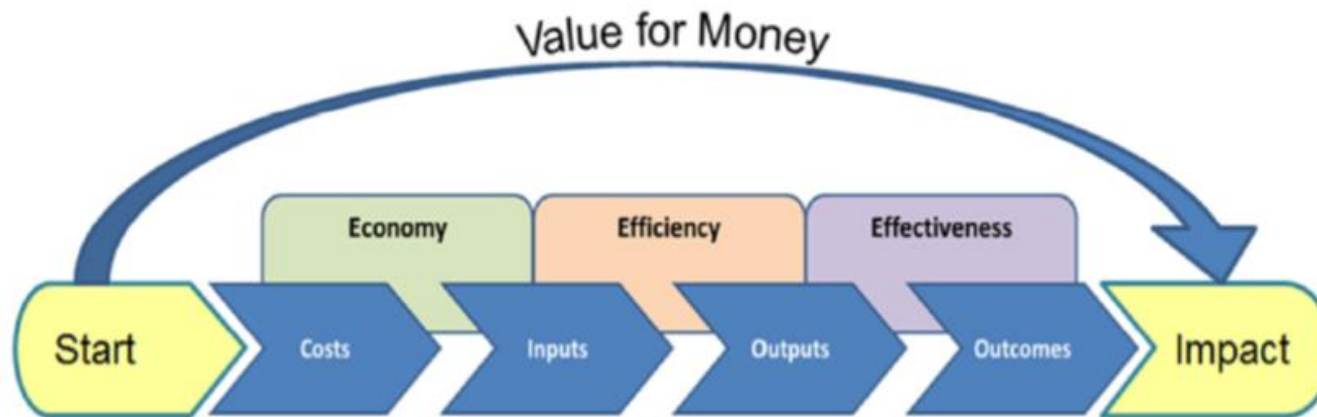
- 3.3 Service level reporting provides monthly management information in a range of formats determined by the senior leadership teams of each of the Council's directorates: People – Adults and Housing; People – Children; Place; and Corporate Development.
- 3.4 To measure our performance, it is important to recognise that we carefully consider, amongst other things: statutory requirements, priorities, resources and how we compare to other places. We continue to strive to be open and transparent, and in line with our efforts to maximise the value in our business intelligence and information. The council provides a performance dashboard using a Power BI application that helps to provide an insight into council activities that build on a data collection database from services that feed into an overall reporting system. Work continues to further develop the performance dashboard and the hope is to link into Power Bi and create a multifunctioning evidence and supporting database.
- 3.5 Statutory performance (including reporting to agencies and partners) need to be returned to central government as part of the statutory reporting process - this type of information is useful for benchmarking against other authorities operating in statistically comparable populations. The framework makes use of a reporting by exception process whereby measures which are identified as off-track require explanation from accountable managers. This will require:
- an explanation of why a target is off-track
  - an action plan identifying how this will be rectified
  - a timeline for returning to within tolerance (path to green)
  - an accountable officer

These actions are tracked through a dedicated action tracking process with regular status updates at subsequent performance meetings. New actions will be identified as part of the performance management meeting and added into the tracking process.

- 3.6 The Council has a whistleblowing policy, which encourages employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The Council expects the highest standards of conduct and personal behaviour from councillors and employees. These standards are defined and communicated through codes of conduct, protocols, and other documents.

- 3.7 The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer (performed by the Executive Director for Corporate Development) has statutory responsibility for the proper management of the Council's finances and is a key member of the leadership team. The Council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010).
- 3.8 We recognise that Risk Management is an essential part of delivering good governance and reduces the uncertainty of achieving outcomes as set out in the Council Plan. The Council remains committed to driving the organisation forward to achieve a risk aware culture and in doing so Dorset Council has identified ways to manage risk which enable us to make effective decisions to meet the Council's aspirations and to further safeguard the Council's assets. Effective risk management is essential for a Council to demonstrate that it is acting in the best interests of its residents.
- 3.9 When risks are identified, an agreement takes place on how they will be managed and mitigated and keep the Council's risk profile under review and satisfied that management's systems include appropriate controls, and that it has adequate sources of assurance. It is acknowledged that with such systems in place it will not eliminate all risks, but having systems, mitigations and controls will help to provide a robust process that considers any such risks. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud.
- 3.10 Dorset Council continues to work to better embed and help raise awareness of the principles of risk management and to assist officers, at all levels, in applying sound risk management principles and practices. Work continues to develop the council stance towards risk management to better assist colleagues, at all levels, in applying sound risk management principles and practices. Reports are received by the Audit and Governance Committee on a quarterly basis.
- 3.11 Risk update reports provide a quarterly view on HIGH risks identified across all services, with separate schedules for Adults and Housing, Children's Services, Corporate Services and Place Services. A summary page (Snapshot on Performance) also helps to provide focus on all the services with a series of graphs and headline statements.

- 3.12 The Council continues to develop its value for money framework. With scarce resources, it is recognised to be essential that the council ensures that it secures best value for all its expenditure. Value for money considerations are implicit in a range of routine council activities such as budget setting, budget monitoring and contract management. A value for money framework sets out how to develop value for money service benchmarking across the council. A key piece of work will be the drive to benchmark services across the council to identify strong and weak areas of performance and cost. This will enable a prioritisation exercise to deliver a timeline for fundamental service review.
- 3.13 Local Government bodies, auditors are required to give a conclusion on whether the council has proper arrangements in place to secure value for money and guidance identifies one single criterion for auditors to evaluate:
- 'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.'
- 3.14 Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the council to deliver value for money. Dorset Council has experienced reductions in grant funding and limited increases in its council tax and business rates precept income in recent years together with pressures surrounding Covid 19 and EU Exit. At the same time, the council has been experiencing cost pressures in relation to the range of services it delivers and uncertainty over future funding. The council is nevertheless obligated, under statute, to set a balanced budget for each financial year and has an internal policy to maintain positive reserves and deliver its efficiency plan. Our view is therefore that delivery of financial plans and future sustainability is a key Value for Money risk. Local government in Dorset has undergone a huge change with the county's nine councils being replaced by two entirely new organisations. This resulted in a reduction in costs by cutting duplication. The money saved is being reinvested into important services for residents including housing, road maintenance, schools, social care, and waste collection. You can find out more about these changes and what it means for you at [Dorset Council](#) External Audit review and report on the Council's financial statements (including the Annual Governance Statement) and provide an opinion on the accounts together with the use of resources including providing a value for money opinion.



#### 4. COVID-19

- 4.1 We are all now painfully aware the Covid-19 is a new strain of the coronavirus that was first identified in Wuhan City, China in December 2019. The virus has spread rapidly prompting the World Health Organization's declaration that this is a pandemic and a public health emergency of international concern. The Covid-19 pandemic has significantly impacted Dorset Council and our residents, requiring us to change the way we deliver services, and driving the creation of new services to meet the needs of Dorset residents. During 2020 Dorset Council had had a significant role in responding to the Covid-19 outbreak, as a Category One responder under the Civil Contingencies Act. This has resulted in some temporary changes to governance arrangements, including postponement of some Committee meetings, and prioritisation of service delivery to cope with changing demand. Dorset Council continues to work with NHS partners to take all the necessary steps to contain and delay the virus to ensure we are well prepared for any potential spread.
- 4.2 The Council shared messages with the workforce and residents as to how they can help minimise the spread of germs and the Coronavirus in Dorset. It is important to note that NHS services and Public Health were prepared for outbreaks of infectious diseases such as COVID-19. Dorset Council was also well prepared. The Council put in place a set of emergency governance measures to monitor and respond to the Covid-19 pandemic, which has very quickly had an extraordinary impact across the Council, our services, residents and communities, these measures are outlined below:

- In line with national Emergency Management protocol, Dorset implemented its Gold –Silver command structure to facilitate clarity on roles and responsibilities and the quick implementation of activities in response to the emergency. This has also given clarity to local, regional, and national stakeholders and counterparts to ensure a joined-up response with others.
- The Council enacted its business continuity processes, identified its essential services, and prioritised the minimum level of resources required to provide them. During 2020-21 the Council participated in a range of exercises to demonstrate how it continues to respond to Covid-19 and the
- delivery of core Council services.
- Within days of lockdown arrangements, the Council was able to ensure that the majority of the workforce were able to work from home, utilising digital tools such as Microsoft Teams, which has been an essential element in our ability to continue to respond quickly, stay in touch with the workforce, and ensure essential meetings could continue with relatively few issues. During this period, all employees and elected members have been able to work from home safely and securely.
- In addition, in line with the business continuity planning arrangements, the Council implemented measures whereby only key or essential workers would need to work from an office or building location. The Council also implemented shielding arrangements for those employees at high risk.
- The Communications service has been fully mobilised to ensure communications through all channels to support public health advice / information and council service and support information to reach audiences externally and internally. The approach helped to quickly identify and understand our resident’s needs, tailoring services to meet these changing needs, whilst ensuring that key issues and challenges are identified and managed.
- Local Resilience Forum Recovery Group is now meeting, chaired by Dorset Council’s Executive Director for Place.

4.3 In-line with the Council’s approach to the management and preparation for the UK’s exit from the EU, Dorset undertook a pro-active approach to ensuring that it continued to manage, coordinate and communicate activity as effectively as possible – working around the specific challenges that Covid-19 presented. The Council recognises that the Covid-19 crisis has had a significant financial impact and will have a long-term effect on the level of resources available to the Council.

4.4 In response to the Covid-19 emergency, the Government announced financial support packages for small businesses, and those in the retail, hospitality, and leisure sectors. The support took the form of two grant funding schemes: The Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLG). Local authorities were responsible for administering these schemes, and the Government have committed to providing the funding for these payments. As we move forward we will continue to analyse the impact of Covid-19 and understand how the pandemic has impacted our strategic priorities as highlighted within the Council Plan, we will need to understand and manage a variety of impacts, including financial, service delivery, and health and wellbeing.

- 4.5 Workforce arrangements continue to be reviewed on a constant basis, and as guidance is updated, frequent communications and FAQ's are issued. A specific electronic update for members and staff continues to be produced via the Communications Department and Chief Executive on a regular basis. Information and support are provided explaining health messages and activity being carried out to tackle the pandemic and including contact information. This work was done in conjunction with colleagues in the CCG to ensure health and well-being was at the forefront of the communications approach.
- 4.6 Dorset Council have been able to identify and seize the opportunities that arose by embracing new ways of working and delivering services to ensure good governance, decision making and transparency whilst maintaining critical services and supporting our partners across the whole of the public sector community. Notably however, is the impact Covid 19 has had on our local communities including our business and economic community and this forms part of the ongoing works of the Local Resilience Forum Recovery Group. Work continues to mitigate the impact in these areas. The Council remains committed to ensuring adequate resources are provided to address the opportunities, challenges, and issues Covid 19 presents.

## **5. EU Exit**

- 5.1 Following the exit of the United Kingdom (UK) from the European Union (EU) 31 January 2020, the UK and the EU entered a transition period for the negotiation of the future relationship. This transition period ended on 31 December 2020 and a trade deal was reached. The UK left the EU on 31 January but has benefited from continued membership of the single market and customs union over the last year. The end of the transition period has brought about widespread changes for British businesses and citizens, as a new chapter in the country's relationship with its neighbours begins. The Council operated an EU Exit Group to concentrate on relevant preparations.
- 5.2 Whilst there has been no legal cliff edge in January as most EU rules and laws have or will be converted into UK law, there are other changes for councils including new responsibilities for regulatory services, possible changes in data governance and proposals for new UK migration rules which have a bearing on staff recruitment processes. The Cabinet Office has also taken the opportunity of EU Exit to review EU procurement law and is seeking greater local flexibilities in these processes. In line with Government guidance Dorset Council has provide information about the EU Settlement Scheme for EU citizens living in the area. It has sought to ensure awareness of the Scheme and to signpost EU citizens requiring further information or advice to Citizens Advice Bournemouth, Christchurch and Poole who are providing a EUSS support service across both the Dorset Council and BCP council areas, their contract has recently been extended by the Home Office to March 2021.

- 5.3 Regular communications about the EU Settlement Scheme was shared internally for Dorset Council employees, encouraging them to register and use the services of Citizens Advice if necessary. Where appropriate looked after children and care leavers who would need to apply for settled status are supported by Children's Services to do so.
- 5.4 A huge amount of work has been done at national level to ensure a usable legal framework is in place to regulate businesses in respect of the supply of food and consumer goods. Dorset Council's Trading Standards and Environmental Health Officers remain conversant with legal changes to support local business and ensure compliance. A significant additional burden will fall to the Food, Safety and Port Health Team with them needing to issue Fish Export Health Certificates to allow Dorset fish exporters, notably two major ones, to sell every consignment they export to the EU. Officers will also have to initially inspect and register all fishing vessels used to catch fish that goes to other UK distributors that export.
- 5.5 Public Procurement Rules Reforms are being undertaken by the Government Cabinet Office with the aim to establish a new, more simplistic, UK procurement law based on Government Procurement Agreement (GPA) as set by the World Trade Organisation (WTO). It is currently anticipated that any new UK procurement law will not be in place until 2024. The UK public sector remains and will continue to remain under any new UK procurement law, bound by the GPA which opens £1.3 trillion in public procurement opportunities in more than 48 countries to British businesses. It is the intention that the Council will explore any opportunities that arise because of any change to public sector procurement.

## **6. Our Behaviours**

- 6.1 There are [four behaviours](#) that Dorset Council expects every employee to demonstrate. All employees are encouraged to lead by example to encourage and inspire each other through these behaviours. This framework has been designed to aid discussions across Dorset Council, to help all work towards a positive workplace culture. The behaviours we demonstrate, the attitudes we hold and the approaches we take at work are key to the success of Dorset Council and our vision to be an employer of choice. We recognise that our people make our organisation, which is why our behaviours have been developed in partnership with members of our Employee Forum. Behaviours are the attitudes and approaches we bring to our work. They include how we do things; what we say and how we say it; how we treat people; and how we expect to be treated.



## 7. Review of Key Achievements 2020-21

7.1 The Council continued to carry out significant transformation and restructuring as it began to harmonise the services inherited from the predecessor councils. These achievements included:

5G Rural Dorset	Won a £4.5m grant for 5G Rural Dorset project
Road Safety Weymouth	£1.1m secured in Government funding to improve road safety in Weymouth
Recognised Awards	<p>We won a national award for work to inform residents of the Dorset Council merger</p> <p>Five Dorset parks and green spaces were awarded a Green Flag</p> <p>Won the Digital Skills Award at the Connected Britain Awards</p> <p>The Family Information Service won a national award for their Family Information Directory</p> <p>LGC Awarded both Dorset Council and BCP for works to create two unitary authorities</p> <p>Assets and Property Team won an award for the exterior lighting of Wimborne First School</p> <p>Building Control team received national recognition</p> <p>At the National Visit England Awards colleagues at Durlston Country Park received Gold in the Accessible and Inclusive Tourism category</p>
Homelessness	Received funding from the Government's Next Steps to Accommodation programme to help tackle homelessness in Dorset
Digital Technology	Dorset residents registered for Festival of The Future to learn about the benefits of digital technology
Safer Homes	Signed a five-year contract to deliver innovative care technology services to support and help people stay safely in their homes

<p>COVID Support</p>	<p>Supported residents, businesses, vulnerable people and provided essential services - 250 colleagues were redeployed to help deal with the crisis</p> <p>Shifted committee meetings online to keep the democratic processes running</p> <p>Thousands of pieces of office equipment were delivered to employees at home</p> <p>Delivered food, prescriptions, and PPE</p> <p>Ensured that children and young people travelled to and from school safely and supported families with free school meals</p> <p>Reconditioned more than 250 laptops for children and young people</p> <p>Community Shield work with volunteers helped Dorset Council to respond to thousands of calls and emails, and kept in touch with those who were shielding</p> <p>Successfully launched a click and collect service at our libraries</p> <p>Kept children active through lockdown and organised a Summer in Dorset activity programme</p> <p>Thanks to the launch of the Digital Hotline, volunteers helped more than 550 people get online.'</p> <p>Conducted socially distanced weddings</p> <p>Distributed grants to support local businesses</p> <p>Launched an appeal to give coats and PJs to children who need them</p>
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Independent Living	Opened relocatable housing units in Wareham to help adults with learning difficulties, disabilities and the homeless live independently  Converted the old Sturminster Newton Social Services offices into 18 new independent living flats for adults with learning needs
Road Network	Received a £9.1m from the Department for Transport (DfT) to help improve the condition of Dorset roads
Low Carbon Dorset	Secured an additional £5m to extend the Low Carbon Dorset Programme

## 8. Review of Effectiveness

- 8.1 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 and efficiently. The governance framework comprises the rules, procedures, systems, and processes by which the Council is controlled. The quality of governance arrangements underpins the levels of trust in public services and is fundamental to the Council's statutory and democratic obligations. Good governance allows the council to be clear about how it discharges its responsibilities and to show this for members, partners, and residents. As mentioned above the council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to ensure risks are managed within the Council's appetite. We cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 8.2 The effectiveness of the framework is monitored and assured through routine performance monitoring and by internal and external audit. The key elements of the review of effectiveness are:
- The Council's internal management processes, such as performance monitoring and reporting; the employees performance appraisal framework. My ROAD map is the framework in place to support employees and managers to hold good conversations. Objectives can be prepared before each 1-1 to help reflect on achievements and career goals.
  - The Local Code of Corporate Governance Self-Assessment, confirming that the Code of Conduct, Financial Regulations, and other corporate governance processes have operated as intended within services throughout the year.

- At full council on 15 April 2021 it was agreed that Dorset Council
  1. Adopt the Local Government Association Model Councillor Code of Conduct including those provisions of the Model Code relating to other registrable interests.
  2. That Dorset's Town and Parish Councils be invited to consider adopting the LGA Model Code.
  3. Adopt the proposed new arrangements for dealing with Code of Conduct complaints against Councillors.

Reason for Decision: To support councillors in maintaining high standards of conduct and to ensure a proportionate approach to the assessment and hearing of complaints against councillors.

It should be noted that there have been very few conduct complaints made against Dorset Council Councillors but it is important that as part of promoting high standards of conduct the Council should review its code against what is regarded as best practice. As part of its work in supporting all tiers of local government the Local Government Association (LGA) completed work to develop a new model councillor code of conduct. The LGA recognises the link between high standards of leadership and high performance and it is in this context that the new model code was developed to maintain high standards of leadership and performance. The code addresses the minimum standards of behaviour expected of all councillors based upon the principles of conduct in public life.

- Corporate, Service and Project Risk Registers which identify significant exposures together with action plans intended to bring the level of risk down to an acceptable level. The work of the audit and governance committee which includes responsibility for monitoring the development and operation of corporate governance in the council
- Quarterly Audit Improvement monitoring reports, Annual Internal Audit Reports and External Audit (ISA260), reviews by external inspection regimes (such as Ofsted and optional peer challenges). The Internal Annual Audit Opinion for 2020-21 identified two significant risks (virtual school; Home to school transport). It is noted that the significant risks are believed to have been mitigated but some further actions remain outstanding.



## 9 What actions have been taken in response to 2019-20 Annual Governance Statement

- 9.1 The mandatory e-learning module for General Data Protection Regulations has been redeveloped and further promoted. Completion rates are now subject to a reporting KPI. Completion rates remain low and further work is underway to resolve this. A further action is reflected within the 2020-21 action plan.
- 9.2 The finance team have progressed work on developing a Corporate Criminal Offence policy. Ownership has passed to the Service Manger for Assurance to embed as part of the wider framework of fraud related policies and training. The whistleblowing policy has been subject to wider promotion but a further action is reflected within the 2020-21 action plan to address internal audit findings from March 21.

- 9.3 2019-20 has seen significant improvements made to the risk management reporting process, including links to the performance framework. Ownership for service risks are clearly defined.
- 9.4 A series debrief sessions continue to be held to capture lessons learnt during the Covid-19 response, both at a Council and Local Resilience Forum level. Regular exercises have been held on specific scenarios to provide assurance over the Council and partners ability to respond.
- 9.5 The Peer Review implementation plan is actively monitored.

## **10 What actions will be taken in response to 2020-21 Annual Governance Statement**

- 10.1 Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed or are included in action plans for the relevant managers. Focus will be placed on the following issues during 2020-21 as we continue the journey following the transition into Dorset Council.
- 10.2 A March 21 internal audit on Fraud and Whistleblowing has identified Priority 2 actions. These will be addressed by the Fraud task and finish group, with a focus on training.
- **Action** – Service Manager for Assurance.
- 10.3 The format of future committee meetings will be subject to further discussion, once there is clarification on legislation post May 21.
- **Action** – Service Manager for Electoral and Democratic Services.
- 10.4 Dorset Operations Group to manage and focus on Summer planning.
- **Action** – Covid Silver
- 10.5 Compliance with mandatory data protection training remains low (circa 40%). The training module has been improved and further communication and monitoring established, including a KPI on compliance.
- **Action** – Service Manager for Assurance.

10.6 Following local government organisation and transition into Dorset Council, time is right to undertake a thorough assurance mapping exercise.

- **Action** – Service Manager for Assurance

## **11. Approval of the Annual Governance Statement 2020-21**

The Council is satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset Council and that appropriate arrangements are in place to address improvements in our review of compliance. Progress on these improvements and on addressing any mitigating the risks will be monitored through the year by senior officers and elected councillors of Dorset Council.

**Supported by:**

**Appendix A – Local Code of Corporate Governance**

**Appendix B – Summary of “High” Service Risks**

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF DORSET COUNTY PENSION FUND**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the Pension Fund financial statements of Dorset County Pension Fund (the 'Pension Fund'):

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements which comprise:

- the Fund Account;
- the Net Assets Statement; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2020/21.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of Dorset Council and the Pension Fund it administers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.



The going concern basis of accounting for the pension fund is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

### **Other information**

The other information comprises the information included in the Dorset Council's statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Chief Financial Officer's responsibilities**

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the pension fund, and reviewed the pension fund's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the pension fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Public Services Pensions Act 2013 and Local Government Pension Scheme Regulations 2013.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the pension fund's ability to operate or to avoid a material penalty. These included relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

## **Use of our report**

This report is made solely to the members of Dorset Council ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "I C Howse". The letters are slightly slanted and connected, with a small dot at the end of the word "Howse".

Ian Howse (Appointed auditor)  
For and on behalf of Deloitte LLP  
Cardiff  
21 February 2024

# DORSET COUNTY PENSION FUND ACCOUNTS

FUND ACCOUNT					
2019/20				2020/21	
£'000	£'000		Note	£'000	£'000
		<b>Dealings with members, employers and others directly involved in the Fund</b>			
	<b>136,769</b>	<b>Contributions</b>	<b>7</b>		<b>134,548</b>
108,553		Employer contributions		105,446	
28,216		Member contributions		29,102	
	<b>10,793</b>	<b>Transfers in from other pension funds</b>	<b>8</b>		<b>8,612</b>
	<b>147,562</b>	<b>Total additions from dealing with members etc.</b>			<b>143,160</b>
	<b>(127,919)</b>	<b>Benefits</b>	<b>9</b>		<b>(131,431)</b>
(104,933)		Pensions		(110,372)	
(19,875)		Commutation and lump sum retirement benefits		(17,342)	
(3,111)		Lump sum death benefits		(3,717)	
	<b>(35,202)</b>	<b>Payments to and on account of leavers</b>	<b>10</b>		<b>(7,773)</b>
(347)		Refunds of contributions		(325)	
(34,855)		Transfers to other pension funds		(7,448)	
	<b>(15,559)</b>	<b>Net additions/(withdrawals) from dealings with members and others</b>			<b>3,956</b>
	<b>(14,009)</b>	<b>Management expenses</b>	<b>11</b>		<b>(13,085)</b>
	<b>(29,568)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>			<b>(9,129)</b>
	<b>24,666</b>	<b>Investment Income</b>	<b>12</b>		<b>17,419</b>
	<b>(135)</b>	<b>Taxes on income</b>			<b>(56)</b>
	<b>(311,314)</b>	<b>Profit/(loss) on disposal of investments and changes in the value of investments</b>			<b>629,155</b>
	<b>(286,783)</b>	<b>Net return on investments</b>			<b>646,518</b>
	<b>(316,351)</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>			<b>637,389</b>
	<b>3,029,952</b>	<b>Opening net assets of the fund 1 April</b>			<b>2,713,601</b>
	<b>2,713,601</b>	<b>Closing net assets of the fund 31 March</b>			<b>3,350,990</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

NET ASSETS STATEMENT				
31 March 2020			31 March 2021	
£'000	£'000	Note	£'000	£'000
	<b>427</b>	<b>Long term investments</b>		<b>768</b>
427		Brunel Pension Partnership Ltd	768	
	<b>2,698,426</b>	<b>Investment assets</b>		<b>3,339,773</b>
11,251		UK equities (quoted)	-	
160,536		Overseas equities (quoted)	52	
2,115,368		Pooled investment vehicles	2,894,459	
98,085		Private equity	96,102	
264,665		Property	260,716	
54,925		Cash & cash equivalents	87,696	
(9,757)		Derivative contracts	(670)	
3,353		Other investment assets	1,418	
	<b>(2,316)</b>	<b>Investment liabilities</b>		<b>-</b>
(2,316)		Other investment liabilities	-	
	<b>2,696,537</b>	<b>Total net investments</b>		<b>3,340,541</b>
	<b>965</b>	<b>Long term debtors</b>		<b>-</b>
965		Other long term debtors	-	
	<b>22,803</b>	<b>Current assets</b>		<b>16,030</b>
17,612		Contributions due from employers	8,766	
5,191		Other current assets	7,264	
	<b>(6,704)</b>	<b>Current liabilities</b>		<b>(5,581)</b>
(787)		Unpaid benefits	(550)	
(5,917)		Other current liabilities	(5,031)	
-		Deferred income	-	
	<b>2,713,601</b>	<b>Net assets available to fund benefits</b>		<b>3,350,990</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

### a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Dorset County Pension Fund Committee, which is a committee of the Council.

### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>317</b>	<b>Total Employers</b>	<b>320</b>
	<b>Employees</b>	
6,492	Administering Authority	6,316
17,660	Other Scheduled Bodies	17,068
396	Admitted Bodies	1,127
<b>24,548</b>	<b>Total Employees</b>	<b>24,511</b>
	<b>Pensioners</b>	
8,986	Administering Authority	9,268
12,967	Other Scheduled Bodies	13,295
1,377	Admitted Bodies	1,824
<b>23,330</b>	<b>Total Pensioners</b>	<b>24,387</b>
	<b>Deferred Pensioners</b>	
8,629	Administering Authority	8,935
14,541	Other Scheduled Bodies	14,355
1,220	Admitted Bodies	1,535
<b>24,390</b>	<b>Total Deferred Pensioners</b>	<b>24,825</b>
43,921	'Undecided' members	1,340
<b>116,189</b>	<b>Total Members</b>	<b>75,063</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lease.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account:

#### Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

#### Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

#### Investment income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

#### Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

#### Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

# DORSET COUNTY PENSION FUND ACCOUNTS

## **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

## **Net Assets Statement:**

### **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### **Freehold and leasehold properties**

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 17 for more details.

### **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable as at the year-end date plus accrued interest.

### **Financial liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

### **Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22.

### **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 24).



# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

### Pension fund liability

The net Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

### Directly held property

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

## NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

### Actuarial present value of promised retirement benefits (Note 20)

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

### Private equity investments (Note 17)

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of Covid-19 on valuations. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

### Freehold, leasehold property and pooled property funds (Note 17)

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

## NOTE 6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events). No events after the reporting date have been identified.

## NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2019/20		2020/21
£'000	Employer contributions	£'000
71,672	Contributions re future service costs	77,954
26,648	Contributions re past service costs (deficit recovery)	17,617
1,138	Voluntary additional contributions	4,020
9,095	Augmentation cost of early retirements	3,544
-	Exit payments from employers	2,333
-	Exit credits to employers	(22)
<b>108,553</b>	<b>Total employer contributions</b>	<b>105,446</b>
<b>28,216</b>	<b>Member contributions</b>	<b>29,102</b>
<b>136,769</b>	<b>Total contributions receivable</b>	<b>134,548</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

## By type of employer:

2019/20		2020/21
£'000		£'000
45,023	Administering authority	39,473
87,271	Other scheduled bodies	81,909
4,475	Admitted bodies	13,166
<b>136,769</b>	<b>Total contributions receivable</b>	<b>134,548</b>

## NOTE 8. TRANSFERS IN FROM OTHER PENSION FUNDS

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund in 2020-21.

## NOTE 9. BENEFITS PAYABLE

### By type of employer:

2019/20		2020/21
£'000		£'000
44,791	Administering authority	44,394
75,227	Other scheduled bodies	76,131
7,901	Admitted bodies	10,906
<b>127,919</b>	<b>Total benefits payable</b>	<b>131,431</b>

## NOTE 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

All transfers out to other pension funds were individual transfers.

## NOTE 11. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2019/20		2020/21
£'000		£'000
1,538	Administrative expenses	2,149
502	Oversight and governance costs	543
11,969	Investment management expenses	10,393
<b>14,009</b>	<b>Total management expenses</b>	<b>13,085</b>

Investment management expenses consisted of:

2019/20		2020/21
£'000		£'000
9,525	Investment management fees	8,027
429	Performance related fees	480
144	Custody fees	121
245	Transaction costs	505
677	Transition costs	873
949	Other fees and costs	387
<b>11,969</b>	<b>Total investment management expenses</b>	<b>10,393</b>

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

## NOTE 12. INVESTMENT INCOME

2019/20		2020/21
£'000		£'000
6,926	Equities	2,938
396	Pooled Investments	386
1,176	Pooled Property Investments	283
12,025	Direct Property	12,125
2,640	Private Equity	1,344
565	Interest from Cash Deposits	117
55	Other Income	11
39	Stock Lending Commission Income	-
6	Class Action Income	-
838	Fee Rebate Income	215
<b>24,666</b>	<b>Total Investment Income</b>	<b>17,419</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 13. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £768k (£427k at 31 March 2020).

## NOTE 14. INVESTMENT ASSETS

31 March 2020			31 March 2021	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
<b>0.40%</b>	<b>11,251</b>	<b>UK Equities - Quoted</b>	-	<b>0.00%</b>
	11,251	Wellington	-	
<b>5.90%</b>	<b>160,536</b>	<b>Overseas Equities - Quoted</b>	<b>52</b>	<b>0.00%</b>
	39	Investec	52	
	160,497	Wellington	-	
<b>3.60%</b>	<b>98,085</b>	<b>Private Equity</b>	<b>96,102</b>	<b>2.90%</b>
	55,016	HarbourVest	52,998	
	34,001	Aberdeen Standard	27,849	
	4,509	Capital Dynamics Global Secondary Fund V	5,656	
	2,851	Neuberger Berman Private Equity Impact Fund	6,050	
	420	Neuberger Berman SCIOP IV	1,524	
	1,288	Ardian LBO Fund	1,948	
	-	Summit Eur Growth EQ III SCSP LP	78	
<b>9.80%</b>	<b>264,665</b>	<b>Property (directly owned)</b>	<b>260,716</b>	<b>7.80%</b>
	264,665	CBRE Global Investors	260,716	
<b>Pooled Investment Vehicles:</b>				
<b>8.20%</b>	<b>220,608</b>	<b>Bonds</b>	<b>192,357</b>	<b>5.80%</b>
	220,608	RLAM Corporate Bond Fund	192,357	
<b>17.70%</b>	<b>477,121</b>	<b>UK Equities - Quoted</b>	<b>348,550</b>	<b>10.40%</b>
	41,864	Schroder UK Smaller Companies Equity Fund	74,779	
	304,674	LGIM UK Equity Index (passive)	107,290	
	130,583	Brunel UK Equities	166,481	
<b>22.50%</b>	<b>606,013</b>	<b>Global Equities - Quoted</b>	<b>1,364,900</b>	<b>40.90%</b>
	241,856	LGIM Smart Beta Fund (passive)	275,104	
	168,225	LGIM World Developed Equities (passive)	183,350	
	112,158	Brunel Global High Alpha Equities	247,102	
	83,774	Brunel Emerging Markets Equities	169,360	
	-	Brunel Global Sustainable Equities	325,313	
	-	Brunel Smaller Companies Equities	164,670	
<b>4.50%</b>	<b>120,399</b>	<b>Multi Asset Credit (MAC)</b>	<b>170,469</b>	<b>5.10%</b>
	120,399	CQS Credit Multi Asset Fund	170,469	
<b>1.30%</b>	<b>36,350</b>	<b>Property Funds</b>	<b>52,533</b>	<b>1.60%</b>
	6,655	Lend Lease Retail Partnership	4,155	
	10,333	Standard Life UK Shopping Centre Trust	6,282	
	16,265	CBRE UK Long Income Property Fund	16,451	
	3,097	Aberdeen Standard Long Lease Property Fund	22,359	
	-	M&G Secured Income Property Fund	3,286	
<b>5.70%</b>	<b>152,783</b>	<b>Diversified Returns Funds</b>	<b>164,281</b>	<b>4.90%</b>
	152,783	Barings Dynamic Asset Allocation Fund	-	
	-	Brunel Diversifying Returns Fund	164,281	

## DORSET COUNTY PENSION FUND ACCOUNTS

31 March 2020			31 March 2021	
Market Value		Description	Market Value	
%	£'000		£'000	%
7.20%	195,271	<b>Infrastructure</b>	220,057	6.60%
	81,835	Hermes GPE Infrastructure Funds	96,252	
	104,470	IFM Global Infrastructure Fund	107,419	
	8,966	Greencoats Renewable Income Infrastructure Fund	16,386	
11.50%	306,823	<b>Liability Driven Investment</b>	381,311	11.40%
	306,823	Insight LDI Fund	381,311	
<b>78.60%</b>	<b>2,115,368</b>	<b>Total - Pooled Investments</b>	<b>2,894,459</b>	<b>86.70%</b>
2.00%	54,925	<b>Cash &amp; Cash Equivalents</b>	87,696	2.60%
-0.40%	(9,757)	<b>Derivatives</b>	(670)	0.00%
0.10%	3,353	<b>Investment Receivables</b>	1,418	0.00%
<b>100.00%</b>	<b>2,698,426</b>	<b>Total Investment Assets</b>	<b>3,339,774</b>	<b>100.00%</b>

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

Investment assets under the management of Brunel Pension Partnership are valued at £1,860M at 31 March 2021 (£1,062M at 31 March 2020).

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. The future minimum lease payments receivable are as follows:

31 March 2020		31 March 2021	
£'000		£'000	
11,589	Within one year	11,446	
42,251	Between one and five years	40,726	
46,614	Later than five years	38,479	
<b>100,454</b>	<b>Total future lease payments due under existing contracts</b>	<b>90,651</b>	

### NOTE 15. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following table summarises details of purchases, sales and changes in the market valuation of investments in the fund during the financial year.

2020-21	Value 1 April 2020 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2021 £'000
Long Term Investments	427	-	-	341	768
Equities - Quoted	171,787	811,429	(1,040,909)	57,745	52
Pooled Investment Vehicles	2,115,368	843,583	(616,578)	552,086	2,894,459
Private Equity	98,085	15,574	(18,427)	870	96,102
Property	264,665	1,420	(6,427)	1,058	260,716
<b>Total Securities</b>	<b>2,650,332</b>	<b>1,672,006</b>	<b>(1,682,341)</b>	<b>612,100</b>	<b>3,252,097</b>
Forward Foreign Exchange	(9,757)	-	-	9,087	(670)
Futures	-	865	(2,121)	1,256	-
<b>Total Securities and Derivatives</b>	<b>2,640,575</b>	<b>1,672,871</b>	<b>(1,684,462)</b>	<b>622,443</b>	<b>3,251,427</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	54,925	-	-	6,712	87,696
Other investment assets	3,353	-	-	-	1,418
Other investment liabilities	(2,316)	-	-	-	-
<b>Total Net Investments</b>	<b>2,696,537</b>	<b>1,672,871</b>	<b>(1,684,462)</b>	<b>629,155</b>	<b>3,340,541</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

2019-20	Value 1 April 2019 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2020 £'000
Long Term Investments	395	-	-	32	427
Equities - Quoted	451,382	229,848	(527,731)	18,288	171,787
Pooled Investment Vehicles	2,104,713	961,051	(622,210)	(328,186)	2,115,368
Private Equity	80,275	19,309	(21,249)	19,750	98,085
Property	281,480	2,716	(8,823)	(10,708)	264,665
<b>Total Securities</b>	<b>2,918,245</b>	<b>1,212,924</b>	<b>(1,180,013)</b>	<b>(300,824)</b>	<b>2,650,332</b>
Forward Foreign Exchange	733	-	-	(10,490)	(9,757)
<b>Total Securities and Derivatives</b>	<b>2,918,978</b>	<b>1,212,924</b>	<b>(1,180,013)</b>	<b>(311,314)</b>	<b>2,640,575</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	103,022	-	-	(792)	54,925
Other investment assets	3,781	-	-	-	3,353
Other investment liabilities	(1,686)	-	-	-	(2,316)
<b>Total Net Investments</b>	<b>3,024,095</b>	<b>1,212,924</b>	<b>(1,180,013)</b>	<b>(312,106)</b>	<b>2,696,537</b>

### NOTE 16. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March 2021, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	219,859	USD	305,036	-	(1,180)
	GBP	31,497	EUR	36,627	255	-
	GBP	28,032	JPY	4,232,785	255	-
<b>Open Forward Currency Contracts at 31 March 2021</b>					<b>510</b>	<b>(1,180)</b>
<b>Net Forward Currency Contracts at 31 March 2021</b>						<b>(670)</b>
Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	163,770	USD	215,085	-	(9,458)
	GBP	28,150	EUR	32,222	-	(409)
	GBP	19,868	JPY	2,661,433	-	(52)
	USD	86,900	GBP	69,829	160	0
	JPY	947,427	GBP	7,093	-	(1)
	EUR	10,921	GBP	9,676	4	0
<b>Open Forward Currency Contracts at 31 March 2020</b>					<b>164</b>	<b>(9,920)</b>
<b>Net Forward Currency Contracts at 31 March 2020</b>						<b>(9,757)</b>

### NOTE 17. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets;
- Level 2:** where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- Level 3:** where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2021 and at 31 March 2020 measured at fair value according to the above fair value hierarchy.

## DORSET COUNTY PENSION FUND ACCOUNTS

31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	-	-	-	-
Overseas equities - Quoted	52	-	-	52
Pooled Investment Vehicles	-	2,621,869	272,590	2,894,459
Private Equity	-	-	96,102	96,102
Property	-	-	260,716	260,716
Cash & Cash Equivalents	83,061	4,635	-	87,696
Derivatives	-	(670)	-	(670)
Other investment assets	1,418	-	-	1,418
<b>Total</b>	<b>84,531</b>	<b>2,625,834</b>	<b>629,408</b>	<b>3,339,774</b>

31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	11,251	-	-	11,251
Overseas equities - Quoted	160,536	-	-	160,536
Pooled Investment Vehicles	-	1,883,747	231,621	2,115,368
Private Equity	-	-	98,085	98,085
Property	-	-	264,665	264,665
Cash & Cash Equivalents	46,027	8,898	-	54,925
Derivatives	-	(9,757)	-	(9,757)
Other investment assets	3,353	-	-	3,353
<b>Total</b>	<b>221,167</b>	<b>1,882,888</b>	<b>594,371</b>	<b>2,698,426</b>

During the year ended 31 March 2021 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy .

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
<b>Level 1:</b>			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
<b>Level 2:</b>			
Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.

## DORSET COUNTY PENSION FUND ACCOUNTS

### Level 3:

Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

### Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2021.

	Valuation range % (+/-)	Value at 31 March 2021 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	272,590	313,479	231,702
Private Equity	15.00%	96,102	110,517	81,687
Property	15.00%	260,716	299,823	221,609
<b>Total</b>		<b>629,408</b>	<b>723,819</b>	<b>534,998</b>

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Equities	52	-	-	52
Pooled investments	-	2,621,869	220,057	2,841,926
Pooled property investments	-	-	52,533	52,533
Private equity	-	-	96,102	96,102
Derivative contracts	-	510	-	510
<b>Sub-total</b>	<b>52</b>	<b>2,622,379</b>	<b>368,692</b>	<b>2,991,123</b>
<b>Non financial assets at fair value through profit and loss</b>				
Property	-	-	260,716	260,716
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(1,180)	-	(1,180)
<b>Total</b>	<b>52</b>	<b>2,621,199</b>	<b>629,408</b>	<b>3,250,659</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Equities	171,787	-	-	171,787
Pooled investments	-	1,883,747	195,271	2,079,018
Pooled property investments	-	-	36,350	36,350
Private equity	-	-	98,085	98,085
Derivative contracts	-	164	-	164
<b>Sub-total</b>	<b>171,787</b>	<b>1,883,911</b>	<b>329,706</b>	<b>2,385,404</b>
<b>Non financial assets at fair value through profit and loss</b>				
Property	-	-	264,665	264,665
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(9,920)	-	(9,920)
<b>Total</b>	<b>171,787</b>	<b>1,873,990</b>	<b>594,371</b>	<b>2,640,148</b>

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Value at 31 March 2020	231,621	98,085	264,665	594,371
Purchases and derivative payments	55,390	15,574	1,420	72,384
Sales and derivative receipts	(8,515)	(18,427)	(6,427)	(33,369)
Unrealised gains and losses	(7,766)	(10,247)	1,058	(16,955)
Realised gains and losses	1,860	11,117	-	12,977
<b>Value at 31 March 2021</b>	<b>272,590</b>	<b>96,102</b>	<b>260,716</b>	<b>629,408</b>

### NOTE 18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2021	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	52	-	
Pooled investments	2,841,926	-	
Pooled property investments	52,533	-	
Private equity	96,102	-	
Derivative contracts	510	-	
Cash and cash equivalents	-	87,696	
Other investment balances	-	1,418	
Debtors	-	16,030	
<b>Total</b>	<b>2,991,123</b>	<b>105,144</b>	
<b>Financial liabilities</b>			
Derivative contracts			1,180
Other investment balances			-
Sundry creditors			5,581
<b>Total</b>			<b>6,761</b>



## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2020	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	171,787	-	
Pooled investements	2,079,018	-	
Pooled property investments	36,350	-	
Private equity	98,085	-	
Derivative contracts	164	-	
Cash and cash equivalents	-	54,925	
Other investment balances	-	3,353	
Debtors	-	23,768	
<b>Total</b>	<b><u>2,385,404</u></b>	<b><u>82,046</u></b>	
<b>Financial liabilities</b>			
Derivative contracts			9,920
Other investment balances			2,316
Sundry creditors			6,704
<b>Total</b>			<b><u>18,940</u></b>

## DORSET COUNTY PENSION FUND ACCOUNTS

### NOTE 19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

#### (a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

As at 31 March 2021	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	-	15.00%	-	-
Overseas equities - quoted	52	15.00%	8	(8)
Pooled Investment Vehicles	2,894,459	15.00%	434,169	(434,169)
Private Equity	96,102	15.00%	14,415	(14,415)
Property	260,716	15.00%	39,107	(39,107)
Cash & cash equivalents	87,696	0.00%	-	-
Derivatives	(670)	15.00%	(100)	100
Other investment assets	1,418	0.00%	-	-
<b>Total</b>	<b>3,339,773</b>	<b>14.60%</b>	<b>487,599</b>	<b>(487,599)</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2020	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	11,251	15.00%	1,688	(1,688)
Overseas equities - Quoted	160,536	15.00%	24,080	(24,080)
Pooled Investment Vehicles	2,115,368	15.00%	317,305	(317,305)
Private Equity	98,085	15.00%	14,713	(14,713)
Property	264,665	15.00%	39,700	(39,700)
Cash & cash equivalents	54,925	0.00%	-	-
Derivatives	(9,757)	15.00%	(1,464)	1,464
Other investment assets	3,353	0.00%	-	-
<b>Total</b>	<b>2,698,426</b>	<b>14.68%</b>	<b>396,022</b>	<b>(396,022)</b>

### (a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2021 and 2020 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2021	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	87,696	-	-
Assets held in pooled investment vehicles:			
Bonds	192,357	1,924	(1,924)
Multi Asset Credit (MAC)	170,469	1,705	(1,705)
Liability Driven Investment (LDI)	381,311	3,813	(3,813)
<b>Total</b>	<b>831,833</b>	<b>7,441</b>	<b>(7,441)</b>

As at 31 March 2020	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	54,925	-	(549)
Assets held in pooled investment vehicles:			
Bonds	220,608	2,206	(2,206)
Multi Asset Credit (MAC)	120,399	1,204	(1,204)
Liability Driven Investment (LDI)	306,823	3,068	(3,068)
<b>Total</b>	<b>702,755</b>	<b>6,478</b>	<b>(7,028)</b>

### (a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged. Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2021	Total	Unhedged	Potential
	Exposure	Exposure	Movement
	£'000	£'000	£'000
Overseas equities - quoted	52	26	4
Pooled Investment Vehicles	1,807,070	1,209,300	181,395
Private Equity	96,102	96,102	14,415
<b>Total</b>	<b>1,903,224</b>	<b>1,305,428</b>	<b>195,814</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

<b>As at 31 March 2020</b>	<b>Total</b>	<b>Unhedged</b>	<b>Potential</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overseas equities - quoted	160,536	80,268	12,040
Pooled Investment Vehicles	983,665	722,546	108,382
Private Equity	98,085	98,085	14,713
<b>Total</b>	<b>1,242,286</b>	<b>900,899</b>	<b>135,135</b>

### **(b) Credit Risk**

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

## DORSET COUNTY PENSION FUND ACCOUNTS

The table below summarises the Fund's exposure to credit risk at 31 March 2021 and 31 March 2020.

	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Investment</b>	<b>£'000</b>	<b>£'000</b>
Bank Account Deposits	33,796	35,225
Money Market Funds	53,900	19,700
Assets held in pooled investment vehicles:		
Bonds	192,357	220,608
Multi Asset Credit (MAC)	170,469	120,399
Liability Driven Investment (LDI)	381,311	306,823
<b>Total</b>	<b><u>831,833</u></b>	<b><u>702,755</u></b>

### (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2021, liquid assets were £2,711M representing 81% of total net assets (£2,173m at 31 March 2020 representing 80% of total net assets at that date).

### NOTE 20. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2019, setting employer contribution rates for the period 1 April 2020 to 31 March 2023. The next valuation is due to take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2021 were set at the valuation calculated as at 31 March 2019. The common contribution rates set at the 2019 valuation for the three year period ending 31 March 2023 are as follows.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Primary rate (future service contributions)	17.70%	17.70%	17.70%
Secondary rate (deficit recovery contributions)	4.00%	4.10%	4.40%
<b>Total employer contributions</b>	<b>21.70%</b>	<b>21.80%</b>	<b>22.10%</b>

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2019 actuarial valuation, the Fund was assessed as 92% funded (83% at the 2016 valuation) with a deficit recovery period of no more than 19 years (22 years at the 2016 valuation). The key assumptions applied by the actuary for the 2019 and 2016 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	<b>Valuation 2019</b>	<b>Valuation 2016</b>
Annual rate of return on investments (discount rate)	5.00%	5.40%
Annual rate of increases in pay (long term)	3.60%	3.90%
Annual rate of inflation (CPI)	2.60%	2.40%

## DORSET COUNTY PENSION FUND ACCOUNTS

### **NOTE 21. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2021 is set out in the appendix to these financial statements 2020/21.

### **NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)**

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £549k in 2020/21 (£418k in 2019/20).

### **NOTE 23. RELATED PARTY TRANSACTIONS**

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2021 contributions of £2.7M were accrued as at 31 March 2021. Management and administration costs of £2.4M were incurred by the Council and recharged to the Fund in 2020/21. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2021, one member of the Committee was a contributing member of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.4M recharge from the Council includes a charge of £20k for the Deputy Chief Financial Officer's time spent working for the Fund.

### **NOTE 24. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS**

#### **Recovery of withholding tax**

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2021 do not reflect any potential recovery of tax.

#### **Impact of the McCloud and Sargeant judgements**

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection to those members.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ("McCloud") and the judiciary ("Sargeant") resulted in unlawful age discrimination. The implications of the ruling are expected to apply to all public sector schemes including the LGPS. The Government sought permission to appeal this decision to the Supreme Court but that permission was denied on 27 June 2019. There remains considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department's (GAD) estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions. Whilst this looks at the national picture, the impact on any given fund and its scheme employers could be significantly different. The Fund's actuary have calculated the estimated impact on liabilities for the main employers in the Fund based on the assumptions used by GAD. These results range from 0.4% to 0.8% of total liabilities for each employer.

#### **Outstanding capital commitments**

Outstanding capital commitments (investments) at 31 March 2021 were approximately £70m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.



# Dorset County Pension Fund

Pension accounting disclosure as at 31 March 2021

Prepared in accordance with IAS26

**Barnett Waddingham LLP**

1 July 2021



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## Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2021. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

This report supersedes Version 1 dated 2 June 2021 and uses a revised 31 March 2021 Fund asset statement.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

## Valuation data

### Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Dorset Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS26 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021; and
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

### Fund membership statistics

The table below summarises the membership data, as at 31 March 2019.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	24,516	427,351	46
Deferred pensioners	32,946	40,142	45
Pensioners	22,466	104,902	71

### Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2021.

We have been notified of 89 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £943,300.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 24.20%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2021 is as follows:

Asset breakdown	31 Mar 2021		31 Mar 2020	
	£000s	%	£000s	%
Equities	1,809,703	54%	1,343,676	50%
Liability Driven Investment	381,311	11%	306,823	11%
Cash	99,563	3%	81,992	3%
Other Bonds	192,357	6%	220,608	8%
Diversified Growth Fund	164,281	5%	152,783	6%
Property	313,249	9%	301,015	11%
Infrastructure	220,057	7%	186,305	7%
Multi Asset Credit	170,469	5%	120,399	4%
<b>Total</b>	<b>3,350,990</b>	<b>100%</b>	<b>2,713,601</b>	<b>100%</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 may be different from that shown due to estimation techniques.

## Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## Actuarial methods and assumptions

### Valuation approach

To assess the value of the Fund's liabilities at 31 March 2021, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

### Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021, as shown in Appendix 2.

### Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found [here](#).

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary

increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

## Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 90% for males and 100% for females. These base tables are then projected using the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI\_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI\_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI\_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI\_2018 Model was adopted. The effect on the Fund's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in Appendix 2, and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2021 (after CMI_2020 update)	31 Mar 2021 (before CMI_2020 update)	31 Mar 2020
<b>Retiring today</b>			
Males	23.1	23.4	23.3
Females	24.6	24.8	24.7
<b>Retiring in 20 years</b>			
Males	24.4	24.8	24.7
Females	26.0	26.2	26.2

We have also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	31 Mar 2021	31 Mar 2020	31 Mar 2019
	% p.a.	% p.a.	% p.a.
Discount rate	2.00%	2.35%	2.40%
Pension increases	2.85%	1.90%	2.40%
Salary increases	3.85%	2.90%	3.90%

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the Fund's past service liability duration is 21 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This

differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in Appendix 2.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue. The impact of this change in derivation on the liability value is shown in Appendix 2

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.



## Results and disclosures


We estimate that the net liability as at 31 March 2021 is a liability of £2,930,648,000.

The results of our calculations for the year ended 31 March 2021 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2021;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



**Graeme Muir FFA**  
**Partner**

## Appendix 1 Statement of financial position as at 31 March 2021

Net pension asset as at	31 Mar 2021	31 Mar 2020	31 Mar 2019
	£000s	£000s	£000s
Present value of the defined benefit obligation	6,281,638	4,786,543	5,058,643
Fair value of Fund assets (bid value)	3,350,990	2,713,601	3,030,486
<b>Net liability in balance sheet</b>	<b>2,930,648</b>	<b>2,072,942</b>	<b>2,028,157</b>

\*Present value of funded obligation consists of £6,158,591,000 in respect of vested obligation and £123,047,000 in respect of non-vested obligation.

## Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2021

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2021	Year to 31 Mar 2020
	£000s	£000s
<b>Opening defined benefit obligation</b>	<b>4,786,543</b>	<b>5,058,643</b>
Current service cost	162,424	168,392
Interest cost	111,379	120,097
Change in financial assumptions	1,431,794	(508,903)
Change in demographic assumptions	(51,824)	(92,309)
Experience loss/(gain) on defined benefit obligation	(62,322)	116,048
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(130,306)	(151,558)
Past service costs, including curtailments	4,922	48,074
Contributions by Scheme participants and other employers	29,028	28,059
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>6,281,638</b>	<b>4,786,543</b>

The change in financial assumptions item includes the change in derivation of future assumed RPI and CPI inflation as noted on page 8. These changes have resulted in a loss of £242,270,000 on the defined benefit obligation; comprising a gain of £288,798,000 from the change in assumed IRP and a loss of £531,068,000 from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI\_2020 Model as set out in the Demographic/Statistical assumptions section of this report.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2021	31 Mar 2020
	£000s	£000s
<b>Opening fair value of Fund assets</b>	<b>2,713,601</b>	<b>3,030,486</b>
Interest on assets	63,817	72,464
Return on assets less interest	571,523	(365,922)
Other actuarial gains/(losses)	-	1,387
Administration expenses	(2,040)	(2,354)
Contributions by employer including unfunded	105,367	101,039
Contributions by Scheme participants and other employers	29,028	28,059
Estimated benefits paid plus unfunded net of transfers in	(130,306)	(151,558)
Settlement prices received / (paid)	-	-
<b>Closing Fair value of Fund assets</b>	<b>3,350,990</b>	<b>2,713,601</b>

The total return on the Fund's assets for the year to 31 March 2021 is £635,340,000.

## Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	6,281,638	
<b>Sensitivity to</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount rate	6,153,910	6,412,146
Long term salary increase	6,294,521	6,268,862
Pension increases and deferred revaluation	6,398,046	6,167,608
<b>Sensitivity to</b>	<b>+1 Year</b>	<b>- 1 Year</b>
Life expectancy assumptions	6,564,962	6,011,113

<b>ACADEMY</b>	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
<b>ACCOUNTING DATE</b>	The date to which an organisation makes up its Financial Statements. Like all Local Authorities, DC's accounting date is 31 March.
<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
<b>ACCOUNTING POLICIES</b>	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
<b>ACCRUAL</b>	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
<b>ACCUMULATED ABSENCES ACCOUNT</b>	This Account is an Unusable Reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward. It is permitted to have a negative balance.
<b>ACTUARIAL GAINS AND LOSSES</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
<b>ACTUARIAL VALUATION</b>	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
<b>AGENCY SERVICES</b>	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
<b>AMORTISATION</b>	Amortisation is the equivalent of depreciation for intangible assets (see below).
<b>AMORTISED COST</b>	This is a mechanism that sees through the contractual terms of a Financial Instrument to measure the real cost or return to the Authority by using the effective interest rate method which incorporates the impact of premiums or discounts.
<b>AREA BASED GRANT (ABG)</b>	An Area Based Grant is a non-ring-fenced general grant on which there are no conditions imposed on its usage meaning that the Council has full local control on how the grant can be used.
<b>ASSET</b>	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
<b>ASSETS HELD FOR SALE</b>	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
<b>BALANCE SHEET</b>	A statement that summarises an authority's financial position at the accounting date each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. The bottom half is comprised of reserves that show the disposition of an authority's net worth.
<b>BALANCES</b>	The accumulated surplus of income over expenditure.
<b>BUDGET</b>	A statement of the Council's plans expressed in financial terms.
<b>CALL TO ACCOUNT</b>	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
<b>CAPITAL CHARGE</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long term value to the Authority (also referred to as capital spending or capital payments).
<b>CAPITAL RECEIPTS</b>	Income from the sale of capital assets (land, buildings, etc.).
<b>CARRYING AMOUNT</b>	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle, less the accumulated depreciation.
<b>CASH FLOW STATEMENT</b>	This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

<b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)</b>	This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.
<b>CODES OF PRACTICE</b>	In addition to the BVACOP, the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the UK. This code is approved by the Financial Reporting Advisory Board and is recognised by statute as representing proper accounting practice.
<b>COLLECTION FUND</b>	A statutory fund maintained by the council for recording the collection and distribution of council tax receipts. Unitary, Town and Parish Councils; along with the Police and Fire authorities; and central government precepts are met from this fund. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
<b>COLLECTION FUND ADJUSTMENT ACCOUNT</b>	This Account is an Unusable Reserve which manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
<b>COMMUNITY ASSETS</b>	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An example would be a country park.
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)</b>	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
<b>COMPONENT ACCOUNTING</b>	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
<b>CONSISTENCY</b>	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENCY</b>	A sum of money set aside to meet unforeseen expenditure.
<b>CONTINGENT LIABILITY</b>	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<b>CORPORATE &amp; DEMOCRATIC CORE</b>	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
<b>COST CENTRE</b>	A specific area of activity where control of certain budgets has been delegated.
<b>COUNCIL TAX</b>	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
<b>CREDITORS</b>	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
<b>CURRENT ASSETS</b>	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
<b>CURRENT LIABILITIES</b>	Amounts owed by the Local Authority which are due to be settled within 12 months.
<b>CURRENT SERVICE COST</b>	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
<b>CURTAILMENT</b>	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
<b>DEBTORS</b>	Amounts due to the Authority but unpaid by the end of the accounting period.
<b>DEPRECIATION</b>	The measure of the use or consumption of a fixed asset during the accounting period.
<b>DONATED ASSET</b>	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".

<b>EMOLUMENTS</b>	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
<b>EARMARKED RESERVES</b>	These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.
<b>ESTIMATION TECHNIQUES</b>	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
<b>FINANCIAL ASSET</b>	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
<b>FINANCIAL INSTRUMENT</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
<b>FINANCIAL LIABILITY</b>	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
<b>FORMULA SPENDING SHARE (FSS)</b>	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
<b>FULL TIME EQUIVALENT (FTE)</b>	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
<b>GENERAL FUND</b>	This is the main revenue account of the Council and incorporates the net cost of all services (as shown in the Comprehensive Income and Expenditure Statement) together with the adjustments between accounting basis and funding basis under regulations and transfers to and from Earmarked Reserves (as shown in the Movement in Reserves Statement).
<b>HERITAGE ASSET</b>	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
<b>IAS</b>	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all Local Authorities are now required to comply.
<b>IFRS</b>	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all Local Authorities are now required to comply.
<b>IMPAIRMENT</b>	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
<b>INFRASTRUCTURE ASSETS</b>	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
<b>INVENTORIES</b>	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
<b>INVESTMENT PROPERTY</b>	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
<b>LEASE (EMBEDDED LEASE)</b>	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
<b>LEASE (FINANCE LEASE)</b>	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
<b>LEASE (OPERATING LEASE)</b>	Any lease which is not a finance lease.
<b>LOCAL MANAGEMENT IN SCHOOLS (LMS)</b>	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the County Council.



<b>MEASUREMENT</b>	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.
<b>MEDIUM TERM FINANCIAL PLAN (MTFP)</b>	The Council's five-year, rolling, financial plan.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.
<b>MOVEMENT IN RESERVES STATEMENT (MIRS)</b>	This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	Billing Authorities (District and Borough Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
<b>NON-CURRENT ASSETS</b>	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
<b>NON-DISTRIBUTED COSTS (NDC)</b>	Overheads for which no user benefits, and therefore not apportioned over services.
<b>NON-OPERATIONAL ASSETS</b>	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
<b>OPERATING SEGMENTS</b>	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an Authority's internal management reporting, for example departments, directorates or portfolios. DC has chosen Directorates as its operating segments.
<b>OTHER OPERATING INCOME AND EXPENDITURE</b>	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement but which should not be charged to specific services.
<b>OUTTURN</b>	The final actual income and expenditure earned or incurred in the financial year
<b>PAST SERVICE COST</b>	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>PRECEPT</b>	A levy requiring the Council to collect income from council taxpayers. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
<b>PROVISIONS</b>	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RELATED PARTY</b>	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to DC if, for example, a person employed by DC has significant influence over the entity or is a member of the key management personnel of that entity.
<b>REFCUS</b>	Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the Council does not own and which are not included in its asset register. This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.
<b>RESERVES</b>	Sums set aside and earmarked to meet the cost of specific future expenditure.

<b>RESIDUAL VALUE</b>	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
<b>REVALUATION RESERVE</b>	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
<b>REVENUE EXPENDITURE</b>	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE</b>	Expenditure of a capital nature, which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.
<b>REVENUE SUPPORT GRANT (RSG)</b>	A general central government grant paid to the Council in support of its day to day expenditure and distributed on a formula basis.
<b>RUNNING COSTS</b>	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
<b>SECTION 106 RECEIPTS</b>	Under Section 106 of the Town and Country Planning Act 1990, developers and local authorities can enter into planning obligations to enable the developments to proceed, when permission might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and usually provide for the developer to make financial payments to the Council that will be used for specific compensatory works or measures. Most S106 receipts are treated as capital contributions and applied to capital expenditure.
<b>SEGMENTAL ANALYSIS</b>	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
<b>SERVICE CONCESSION</b>	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
<b>SOFT LOAN</b>	A loan with an interest rate below market rates.
<b>SPECIFIC GRANTS</b>	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
<b>SUBSEQUENT EXPENDITURE</b>	Expenditure which is incurred on an asset after it has begun its useful economic life.
<b>SURPLUS ASSETS</b>	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
<b>THIRD PARTY PAYMENTS</b>	The cost of specialist or support services purchased by the Council from outside contractors or other bodies.
<b>TOTAL COST</b>	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
<b>TRADING UNDERTAKING</b>	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
<b>TRUST FUNDS</b>	Funds administered by the Authority for such purposes as prizes, charities and special projects.
<b>UNUSABLE RESERVES</b>	Those that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
<b>USABLE RESERVES</b>	Those that can be applied to fund expenditure or reduce local taxation.