Financial Statements 2018/19

Working together for a strong and successful Dorset

Dorset County Council

CONTENTS

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ISBN 978-1-84495-053-9

INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset County Council for the period from 1 April 2018 to 31 March 2019. This is the final set of accounts for the County Council as it ceases to exist on 31st March 2019, as part of local government reorganisation in Dorset. More information about the County Council's cessation and the formation of two new unitary authorities is set out in the Narrative Statement.

This document also includes summary information relating to the Dorset County Pension Fund, which the County Council administers on behalf of its own staff, those of other Dorset Local Authority employers and certain other admitted bodies.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, 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 and Poole are administered by separate, Unitary Authorities serving those areas.

The County Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by three outcome-focused overview and scrutiny committees. These are the Economic Growth Committee; the Safeguarding Committee and the People and Communities Committee. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the councils stated priority outcomes; that people in Dorset are safe, healthy and independent and that Dorset's economy is prosperous. 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. An informal Overview and Scrutiny Management Board is also in place to discuss and coordinate the work across these committees. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Health Scrutiny Committee, Regulatory Committee, School Appeals etc.

The County Council and the five District and Borough Councils in Dorset (excluding Christchurch) were replaced on 1st April 2019 by the new Dorset Council. Further details on this can be found on the dorsetforyou.com or 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 County Council and of its financial performance for the year ended 31 March 2019.

These Financial Statements were authorised by the CFO for issue as draft, subject to audit, on 2nd May 2019 and authorised again at Audit and Governance Committee as a final, audited set of financial statements on 26th July 2019.

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

26th July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNTY COUNCIL REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS.

Opinion
In our opinion the financial statements of Dorset County Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's and the Authority's 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 2018/19.

We have audited the financial statements which comprise:

- the group and Authority Comprehensive Income and Expenditure Statements;
- the group and Authority Balance Sheets;
- the group and Authority Movement in Reserves Statements;
- the group and Authority Cash Flow Statements;
- the related notes 1 to 59; and
- the statement of accounting policies – appendix 1.

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 2018/19.

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 the group and Authority 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
We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The Chief Financial Officer is responsible for the 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. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 2018/19 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 group's and the Authority'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 group and the Authority 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. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required to report to you if, in our opinion the Authority has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Qualified conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, with the exception of the matters reported in the basis for qualified conclusion section below, we are satisfied that, in all significant respects, Dorset County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for Qualified Opinion

Children's Services and working with other partners.

In July 2018, Dorset County Council received the findings of an inspection by Ofsted, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue Services (HMICFRS) and HMI Probation (HMIP) completed in May 2018 into the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation and children missing from home, care or education in Dorset.

The report identified that: there are many concerns regarding practice in Dorset County Council, including: 'the most vulnerable children are not being sufficiently safeguarded in the local authority and while some work is of a reasonable quality, the poorest work is very poor'. The report noted that the Council needed to ensure that it effectively balances an outward focus on partnership working alongside the comprehensive internal improvement work underway.

It also highlighted the different stages of development and performance of each agency has impacted negatively on the effectiveness of the partnership working and the local authority needs to now ensure that it effectively balances an outward focus on partnership working alongside the comprehensive internal improvement work underway.

In March 2019 Dorset County Council received the findings of a follow up inspection by Ofsted and the CQC completed in February 2019 of Special Education Needs / Disabilities provision in Dorset (specifically where Dorset County Council is responsible). This follow up inspection was to consider whether the local area has made sufficient progress in addressing the areas of significant weakness first identified in their March 2017 inspection. The inspectors were of the opinion that local area leaders have not made sufficient progress to improve with the following significant weakness still present:

- Weaknesses in the monitoring and quality assurance procedures to challenge and support provision and improve outcomes for children and young people; and,
- Significant proportion of parents describe their concerns at the extent of the delays, the lack of support and lack of communication, transparency and involvement at strategic and individual level; and,
- Low conversion rates from statements of special educational needs to education, health and care plans and a lack of timely completions of new Education, Health and Care (EHC) plans with appropriate and personalised outcomes.

As a result, the inspectors have referred the matter to the Department of Education and NHS England for consideration and further action. This may include the Secretary of State using his powers of intervention.

The issues described above are evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority 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 Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review 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 November 2017, as to whether Dorset County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Dorset County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Matters on which we are required to report by exception

The Code of Audit Practice 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 these respects.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to the Whole of Government Accounts Return not being complete by the 31 July 2019.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by the 31 July 2019.

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Council with the pension fund accounts included in the financial statements of Dorset County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the Authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

USE OF OUR REPORT

This report is made solely to the members of 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.

I C Howse.

Ian Howse (Appointed auditor)
For and on behalf of Deloitte LLP
Cardiff, Wales
31 July 2019

NARRATIVE STATEMENT TO THE ACCOUNTS

Introduction

Welcome to the last set of published financial statements for Dorset County Council. The Council has been in existence since 1889 and having served the residents of Dorset for 130 years it is ceasing as part of the reorganisation of councils in Dorset.

In February 2018, the Secretary of State, Sajid Javid, gave approval for plans proposed by Dorset's nine councils (*Future Dorset*), to converge to two new, unitary authorities with a view to improving services and outcomes for citizens, growing local businesses and reducing costs for the taxpayer.

One of the outcomes of reorganisation is that the County Council's finances are being split (*disaggregated*) between the two new councils that have assumed responsibility for the County Council's assets, liabilities and continuing business obligations. So, whilst the County Council ceases, the business continues, via the disaggregation process, into *Dorset Council* and *Bournemouth, Christchurch and Poole Council*.

While the negotiations between Central Government and the EU continue, the position in relation to whether there will be a deal and the content of the proposed deal remains unclear. The Department for Exiting the European Union has been working with government departments across sectors including the Local Government (MHCLG), Department of Health and Social Care (DHSC) and DEFRA to determine the likely impact which could affect public services. From a local government perspective, there is a strong focus nationally and locally on understanding the potential impact on communities, particularly across the social care and health care systems. Dorset Council will need to continue to consider an impact assessment based on a hard or no deal scenario to understand the highest level of impact on the Council services, our residents, communities and business sectors. The focus of work to date has been around identifying the potential impacts of a Hard/ No Deal scenario, recording the potential risks and the development of action plans to mitigate risk and importantly ensure that the council can meet its statutory responsibilities. The assessment is reviewed and refreshed regularly to take account of updated national positions and guidance, the work of the Dorset LRF and regional level assessments. Key areas of focus to date have been:

- Social Care – Children's and Adults
- Regulatory Services – Trading Standards, Waste Management
- Highways and Infrastructure
- Transport
- Communities – Community Safety and community cohesion
- Economy & Environmental
- Council Operations and on-going engagement with Public Health to identify any medium/longer areas

Financial performance against budget

Table 1, below shows the summary outturn for the County Council compared with its budget. The analysis shows that overall, *service budgets* were overspent by £5.245m, whilst there were savings in corporate and central budgets of £5.766m, meaning that overall, there was a net underspend of £0.521m. The analysis of performance against budget and how this feeds through to movements in the Authority's general fund is shown in the Expenditure and Funding Analysis (EFA).

Having spent much of the year forecasting a significant, overall overspend, the outturn position is pleasing and is testament to the effort put in by officers and other stakeholders to reduce cost and generate the best possible closing position to be inherited by the two new councils.

Table 1

Directorate	Net Budget	Outturn	(Overspend)/ Underspend
	£k	£k	£k
Adult & Community Services	134,949	135,107	(158)
Children's Services	66,019	72,279	(6,260)
Environment & Economy	34,794	33,852	942
Partnerships	18,151	18,151	(0)
Chief Executive's Dept	14,837	14,607	230
Total Service Budgets	268,750	273,995	(5,245)
Central/Corporate Budgets	(303,606)	(309,372)	5,766
Whole Authority	(34,856)	(35,377)	521

In arriving at these figures, the County Council has also been able to make a further provision for the costs of schools with deficits which are converting to academies with sponsors, so this does not cause a new and unexpected burden on the new Dorset Council.

An underspend of more than £0.5m on Dorset Waste Partnership budgets has also been transferred to the Budget Equalisation Reserve (principally to hedge against future volatility in recyclate and fuel prices). Further funds have also been added to the medium-term strategy reserve as disclosed in note 52 on earmarked reserves. The impact of this activity was a reduction in the County Council's share of the general fund from £18.5m to £17.9m as set out in note 53.

The 2018/19 budget was the third to be based on the Government's Spending Review 2015 (SR2015) and the penultimate year of four included in a multi-year financial settlement offered to all English Local Authorities. As part of the Medium-Term Financial Plan (MTFP) process Members gave careful consideration to the risks of accepting this four-year offer, especially given the impact that the funding method had on the County Council's Revenue Support Grant (RSG) in later years. Dorset County Council was one of the 97% of councils in England that agreed a four-year deal, which gave rise to an efficiency plan (available on www.dorsetforyou.com) which was approved by Cabinet on 14th December 2016.

The fourth and final year of the current settlement transitions to Dorset Council and Bournemouth, Christchurch and Poole Council, rather than the County Council. Officers and Members from the ceasing councils have worked together to agree how future funding will be disaggregated between the two new councils which started business on 1 April 2019.

Although it brought certainty for financial and operational planning purposes, SR2015 and the four-year settlement brought significant reductions in the County Council's funding. Although some of these were subsequently supported through transitional, one-off funding, in the longer term, the forthcoming spending review, coupled with the outcomes from the consultations on fair funding and business rates retention need to provide adequately for local government funding in total as well as for Dorset residents.

Developing the 2019/20 budget

Dorset County Council does not have a budget for 2019/20. This is consistent with the reorganisation information set out earlier in this report. Instead, the nine councils in Dorset have converged to two new unitary authorities, each of which established their own budget setting processes and governance arrangements.

The sovereign authorities worked together to develop the budgets for the new authorities, with significant work and energy going into the disaggregation process and to bring together budgets for the two new councils.

The budget for Bournemouth, Christchurch and Poole Council was approved by its Shadow Council on 12th February 2019 and is available through the Council's website.

The budget for Dorset Council was approved by its Shadow Council on 12th February 2019 and is available through the Council's website.

Performance

The County Council uses an outcomes framework approach in its corporate planning (available on www.dorsetforyou.com). This comprises four outcomes; that people in Dorset are safe, healthy and independent and that Dorset's Economy is prosperous. To enable these key outcomes to be tracked and monitored the Cabinet, together with the Audit and Governance and Overview and Scrutiny Committees, are provided with 'outcomes focused monitoring reports' which provide data to help assessment and challenge to take place. These reports are available to the public through accessing the committee reports via dorsetforyou.com.

Through this process elected members are able to make balanced judgements as to whether they have the required assurance that satisfactory progress is being made against the Corporate Plan. Equally, where necessary, they are able to commission further oversight and scrutiny work into areas of interest and/or concern to achieve a fuller understanding and identify potential improvement opportunities. Ultimately the County Council will want to ensure that its activity is making a positive contribution to the achievement of these outcomes and in essence, answer the key question; are we making a difference?

There is a monthly Adult & Community Services Budget and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate scorecard, covering all aspects of the Directorate's performance. All Budget Managers are also required to submit a performance report for these meetings covering their budget, HR and operational performance.

The Finance Team meets with the Director for Children's Services monthly. There are more frequent meetings with Assistant Directors and Budget Managers. Monthly high-risk area performance scorecards are produced.

There is a monthly Environment and Economy Finance and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate's financial position as well as other aspects of performance, such as HR sickness statistics. All Budget Managers are also required to submit a quarterly financial performance report to the Director, which is considered at a separate, specific, quarterly meeting.

Both financial and operational performance are considered on a monthly basis via the Dorset Waste Partnership Senior Leadership Team meetings.

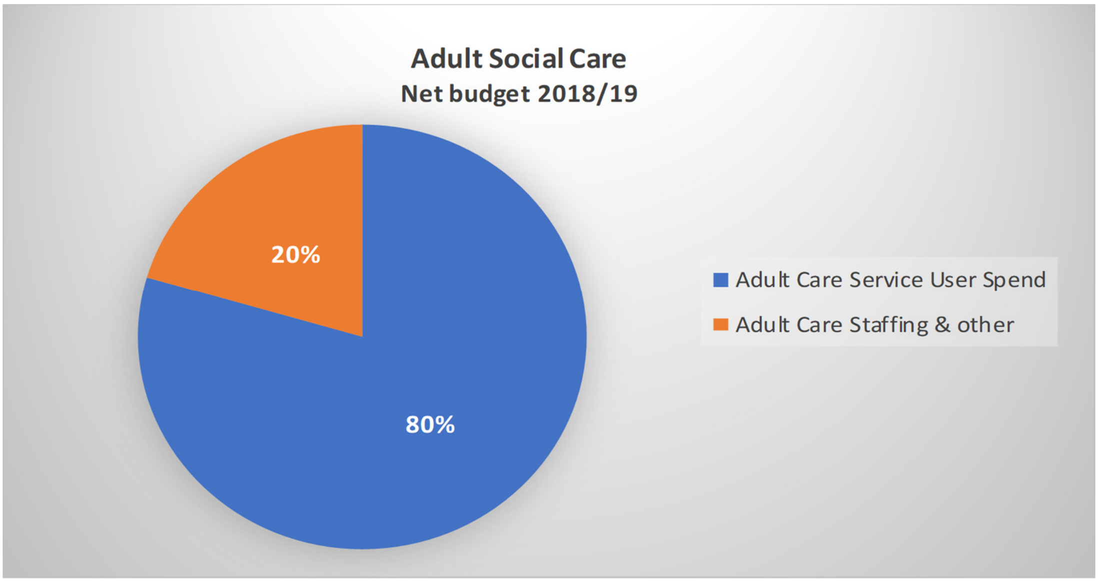
Adult and Community Services

Adult and Community Services is the largest Directorate in the County Council. The Directorate's approved, net, revenue budget for 2018/19 was £135m. This was 49% of the County Council's budget.

NARRATIVE STATEMENT TO THE ACCOUNTS

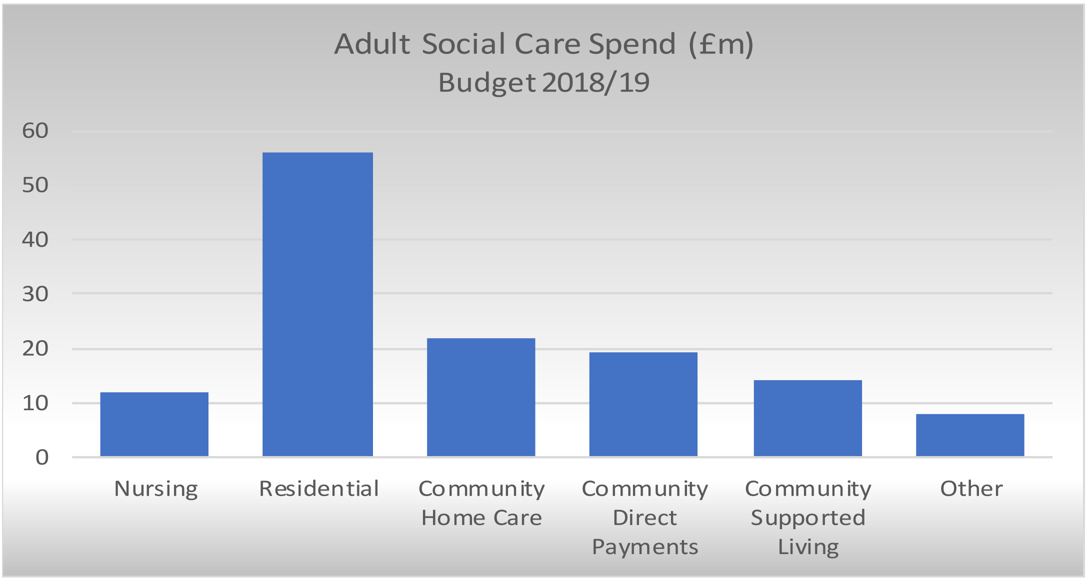
The Adult Social Care element of this budget was £128.6m and was spent as shown in Chart 1 below.

Chart 1



The gross budgeted spend on individual packages of care was £131.3m. In line with national trends, the cost of adult social care services in Dorset continues to rise and is predicted to do so for many years to come. The key factors affecting spend are increased costs of care through increasing off-framework purchasing and lack of market management; pick-up of Continuing Health Care cases; "capital below" cases and increasing acuity or complexity of packages of care. A breakdown of the spend by type of care is shown in Chart 2, below.

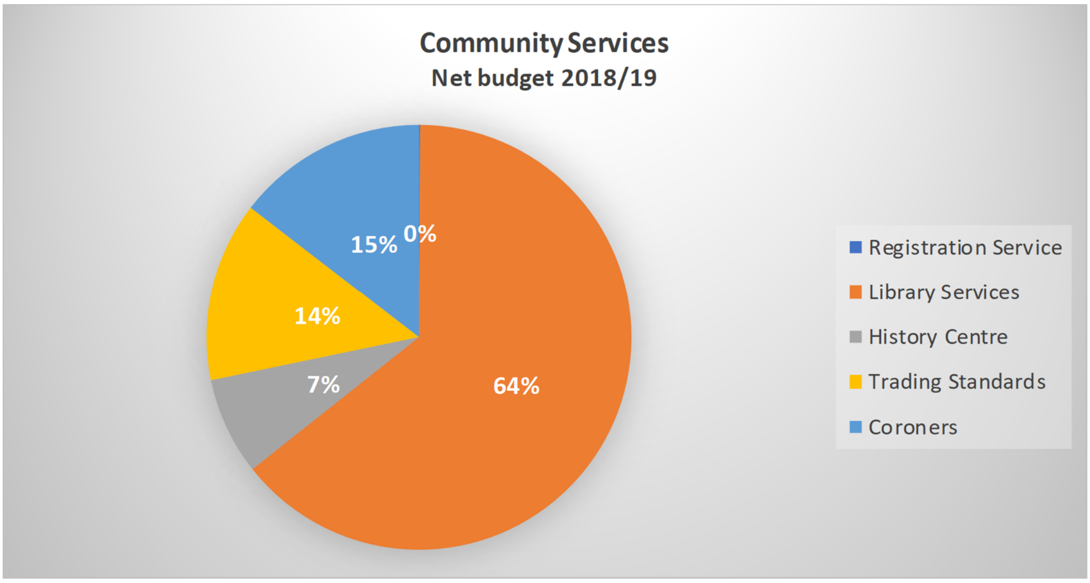
Chart 2



NARRATIVE STATEMENT TO THE ACCOUNTS

The Community services element of the budget totalled £6.6m as shown in Chart 3, below.

Chart 3



Improved Better Care Fund (iBCF) monies totalling £11.7m were received in 2018/19. 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 £139.8m with the County Council contributing £75.6m as shown in table 2, below.

Table 2

BETTER CARE FUND POOLED BUDGET 2018/19

Dorset Health & Wellbeing Board			
Scheme Description (Application of funds)	Scheme value	Total Health	Total LA
	£'000	£'000	£'000
Carers	1,135	1,135	-
Integrated Health & Social Care Locality Teams	18,713	18,713	-
Maintaining Independence	14,532	7,278	7,254
High Impact Changes Implementation/Supported Hospital Discharge	8,808	5,960	2,848
Moving on from Hospital Living	5,398	3,897	1,501
Strong and Sustainable Care Markets	91,202	27,156	64,046
Better Care Fund Total (Dorset HWB)	139,788	64,139	75,649

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 a further savings programme of £5.0m in 2019/20 to balance the budget, including initiatives to review the appropriateness of many packages of care, increase income and make efficiency savings.

Children's Services

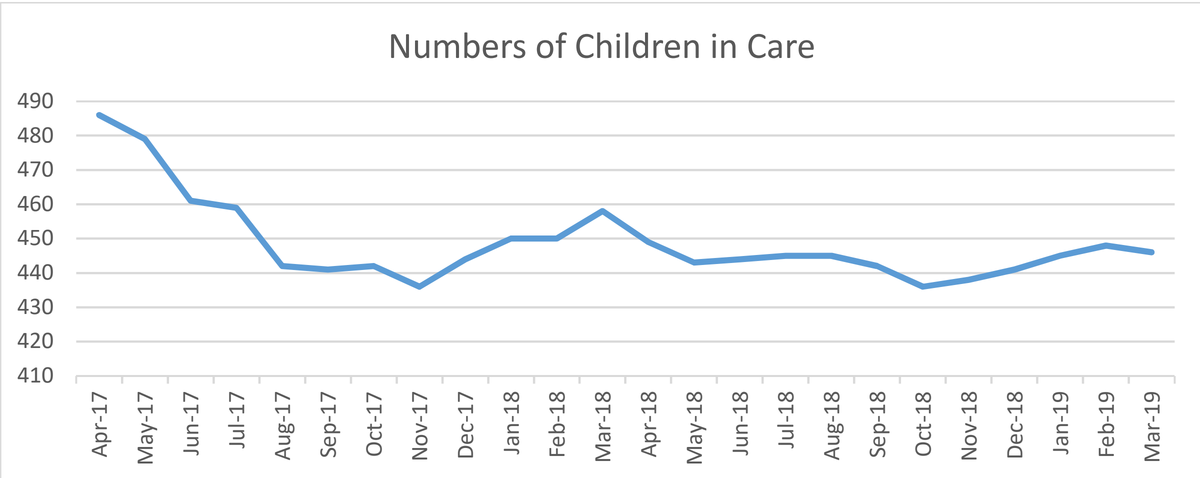
Children's Services budgets include funding for social care, education and early action services. Excluding the Dedicated Schools Grant, Children's Services is the second largest directorate within the authority.

Children's Services contributes to the County Council's corporate plan through working with others to ensure that children and young people are safe, healthy, independent and the county is prosperous. Children's Services has overall safeguarding responsibility for more than 77,000 children (under 18) across the county. There are 173 schools in the Dorset area; 92 LA maintained schools and 81 academies or free schools.

Children in care

As part of its safeguarding role the county council is responsible for providing care for children and young people that can't be looked after by their families. There was a reduction in the number of children taken into care during 2018/19 compared with 2017/18, through early intervention work and permanency planning. The proportion of children in care on 31st March 2018 was 59 per 10,000 compared with the national figure of 64 per 10,000. By 31 March 2019 this was reduced to 58 per 10,000. This figure is still higher than our statistical neighbours and work continues to reduce this further. Chart 4 shows the recent numbers of children in care.

Chart 4



In line with national trends, the cost of providing care for children continues to be a challenge. There are more children, with increasingly complex needs being placed in higher-cost, residential placements or in independent fostering placements. This has led to increased focus on modernising the County Council's fostering service; to increase the number of foster carers available locally and to ensure they can meet the needs of the most vulnerable children. In addition, there has been increased emphasis on market management through regional collaboration to increase the number of places available locally and seek to reduce costs.

Child protection

The rate of children subject to a child protection plan on 31st March 2018 was 33 per 10,000. This was significantly lower than the national rate of 41 per 10,000. On 31st March 2019 the rate has increased to 43 per 10,000, lower than current national rate of 45 per 10,000 but higher than our statistical neighbours' rate of 39 per 10,000. This performance measure is dynamic and will flex over time.

The directorate continues to focus on good multi-agency working by social workers, safeguarding staff and partner agencies and recognises the importance of ensuring social workers have time to work with families. Work on the recruitment and retention of social workers is a priority. Reinvigorating Social Work, a development programme for social workers has been running throughout the year.

Special Educational Needs and Disabilities

In February 2019, Ofsted and the Care Quality Commission (CQC) re-visited the area to see whether Dorset County Council and the NHS Dorset Clinical Commissioning Group (CCG) had improved services for children with special educational needs and disabilities (SEND) in Dorset since the previous inspection in 2017.

Both the county council and the CCG produced a plan called a written statement of action to outline the improvements that would be made.

Inspectors said that agencies have made sufficient progress in two out of the four areas of weaknesses. Areas where they saw improvements included:

- The timeliness of assessments for EHC plans is now well above the national average
- Plans for younger children are generally of a better quality, due to increased multi-agency assessments and more effective joint working
- The newly appointed designated clinical officer supports partnership working between health services and the council
- The support and guidance from professionals in portage, the learning disability child & adolescent mental health services (CAMHS) team and family partnership zones, which has helped reduce parents' anxieties.

However, inspectors said that improvement had been too slow in some areas and that more work was needed to tackle delays, quality assurance and ensure better communications with parents.

The Council and the CCG will now review their written statement of action and will continue to work with the Department of Education and parents/carers to improve SEND services for children, young people and their families. This will be a major focus for the directorate and will potentially require additional support to address the findings of the inspection.

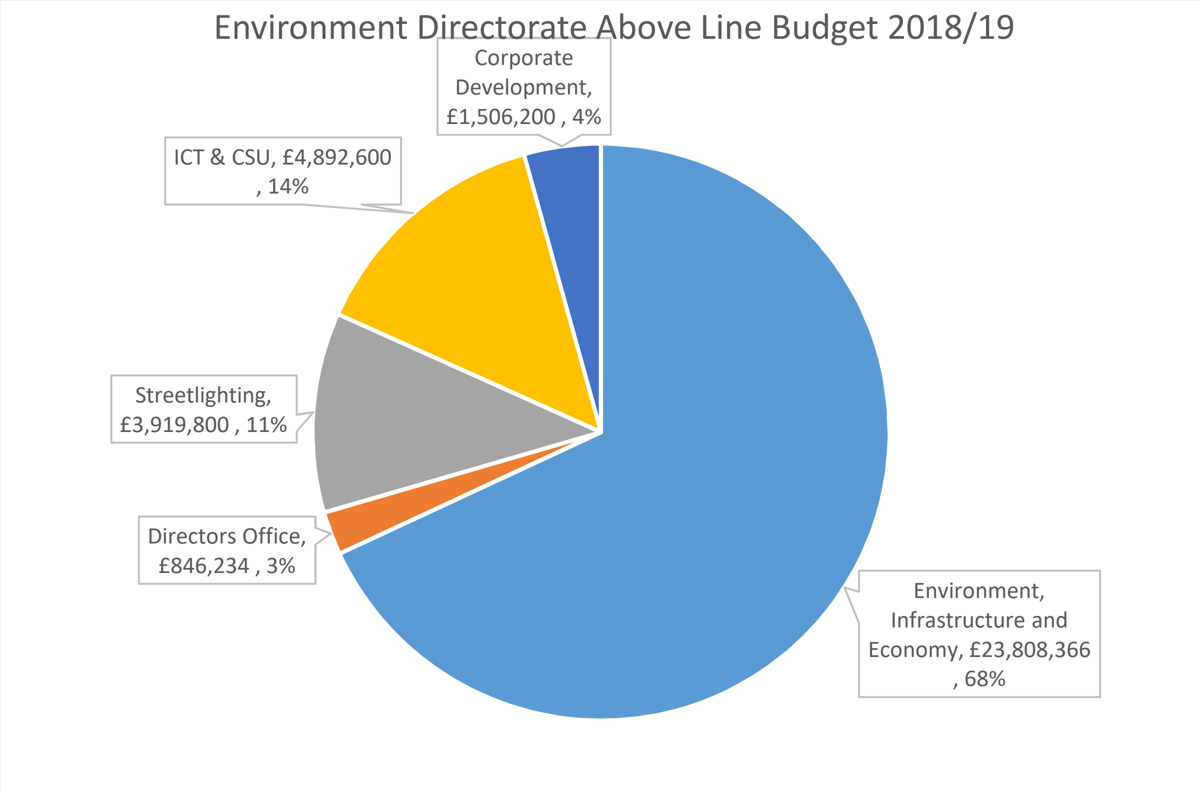
The High Needs Block of the Dedicated Schools Grant, remains a significant challenge and work continues to provide value-for-money against a backdrop of continued demand and limited funding increases. The High Needs Block supports children and young people who require high levels of support to access and receive appropriate education. This area is a significant risk for the authority and work with Dorset Schools' Forum is underway to co-produce a sustainable plan.

Environment and the Economy

The service areas of the Environment Directorate include Environment, Infrastructure and Economy, IT Services and Corporate Development. The Directorate net budget for 2018/19 was £35m. The Environment Directorate budget is made up as shown in chart 5.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 5



The largest component of cost within the Directorate is Dorset Travel with a budget of £13.9m. This service oversees the provision of public and school transport in Dorset.

The Directorate is responsible for the provision of Information Technology and handles customer contact and enquiry resolution for over 40 council services.

The Directorate had a detailed savings programme of more than £1.7m for 2018/19; virtually all of which was achieved.

Dorset has:

- 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
- 59 regionally important geological and geomorphological sites (with further under consideration)
- 1,294 sites of nature conservation interest
- 95 km of heritage coast
- 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.

The Environment and Economy Directorate maintains:

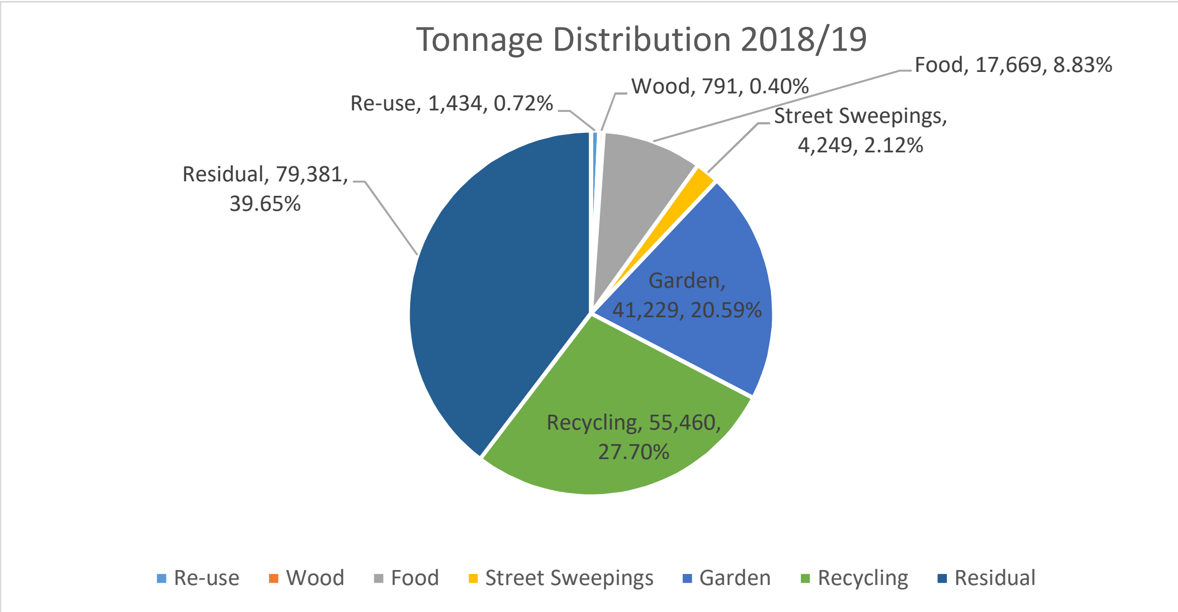
- 4,026km of roads
- 2,282km of footpaths and cycle ways
- 1,450 other structures including bridges
- 47,854 street lights, illuminated signs and bollards
- 8,456 traffic control and information systems.

Dorset Waste Partnership

The County Council, in partnership with the six District and Borough Councils in Dorset, provides the waste collection and disposal services to Dorset's residents and visitors, through the Dorset Waste Partnership.

200,213 tonnes of waste were collected in 2018/19. The tonnage, by type of waste, shown in Chart 6.

Chart 6



Recycling rates are around 57.4%, which compares favourably with the national average of around 45.7%.

Debt management

Note 35 shows that the County Council's overall debt increased during the year, from £56.6m to £58.7m. This is a slightly disappointing outcome given the improvements that have been made in previous years, but it should be borne in mind that £2.4m of the overall increase is from payments made in advance rather than "debt". The majority of the County Council's true debt lies with other Government or Local Government bodies and is therefore very low risk.

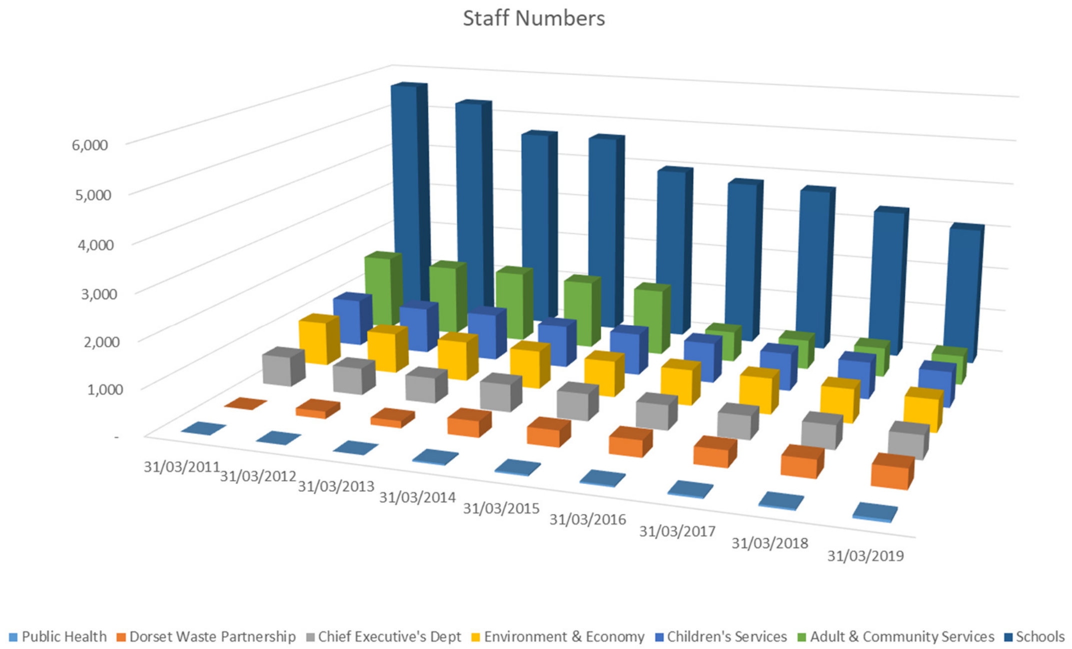
The Council supports pre-payment where possible, direct debit and greater use of electronic payments in addition to a clear and transparent policy around debt payment. More information on debt is routinely included in report to the Council's Audit & Governance Committee which are all available on dorsetforyou.com.

Staffing and restructuring

During the year there was further reorganisation and restructuring work as the council continued to reduce costs and worked to deliver a lower baseline staffing cost as part of the transition to the new councils. A more active vacancy management protocol was also put in place across all converging councils, meaning the organisations thought much more carefully about replacing colleagues that left and how this capacity could be resourced in a way that supported future cost control. The County Council also made improvements in a key area where costs had escalated in previous years – the use of agency staff in front-line social work positions. This work continues into 2019/20 for the new councils.

Chart 7 shows an analysis of full-time-equivalent (FTE) staff numbers employed by the County Council in recent years.

Chart 7



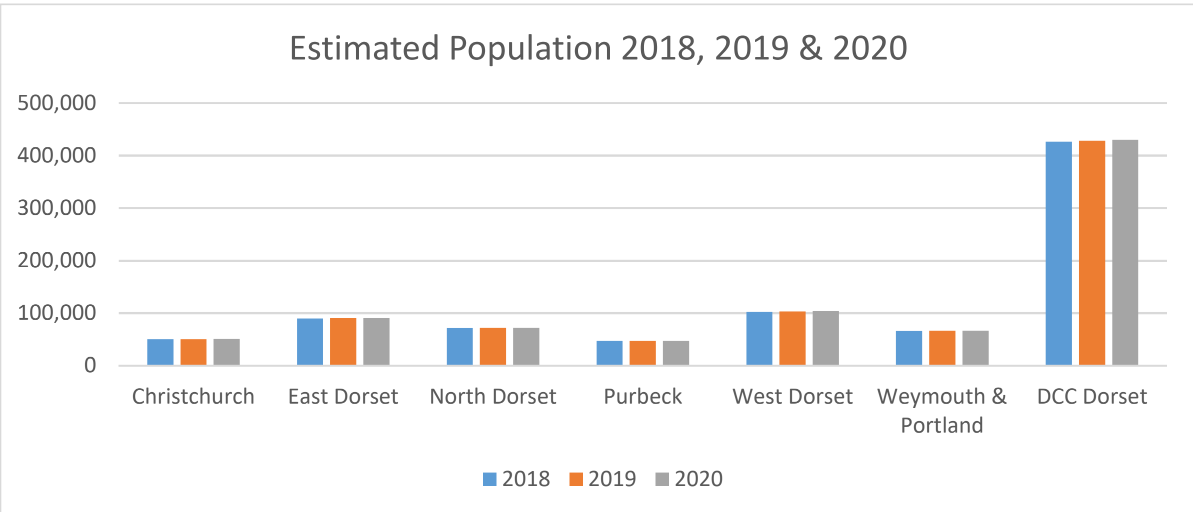
Note 18 to the accounts covers the disclosures required for the County Council's senior staff and also bandings of salary earnings for employees with remuneration in excess of £50,000 per annum. Information is also disclosed, in note 19, around exit packages and termination benefits during the year.

Headline FTE numbers reduced by 275 to 6,283 in the year (by 11 to 3,163 excluding schools).

Population Data

The County Council provides services to a total estimated population of 428,010 (2018 426,300), with the projection for 2020 being 429,920. The graph below shows the population across the Borough and District council boundaries within the region of Dorset that is served by the County Council.

Chart 8



Source: 2017 based District Projections, Dorset County Council and Office for National Statistics

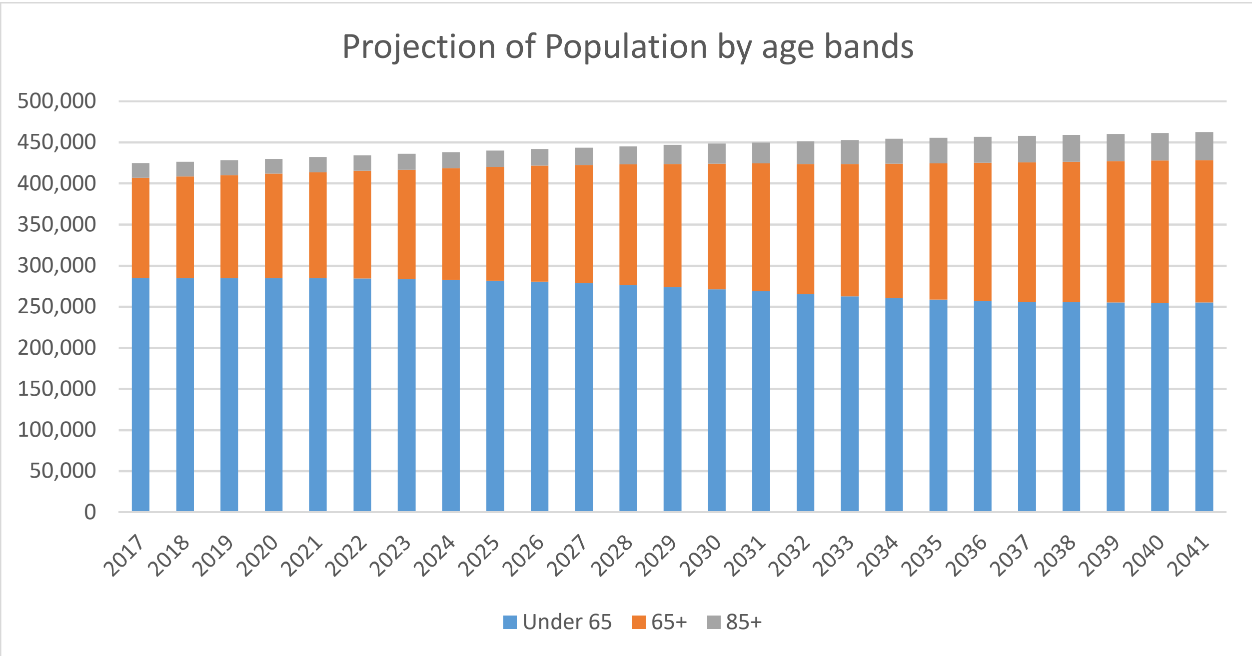
There are significant demographic challenges in the population of Dorset's residents with an estimated 33% being over 65 years of age, and 4% being over 85 years by 2018.

Future projections summarised in table 3 and chart 9, show these numbers steadily growing, with an estimated 45% being over 65 years of age and 7% over 85 years of age by 2041.

Table 3

	Age			
Year	Under 65	Over 65	65-84	85+
2017	67%	33%	29%	4%
2022	66%	34%	30%	4%
2027	63%	37%	32%	5%
2032	59%	41%	35%	6%
2037	56%	44%	37%	7%
2041	55%	45%	38%	7%

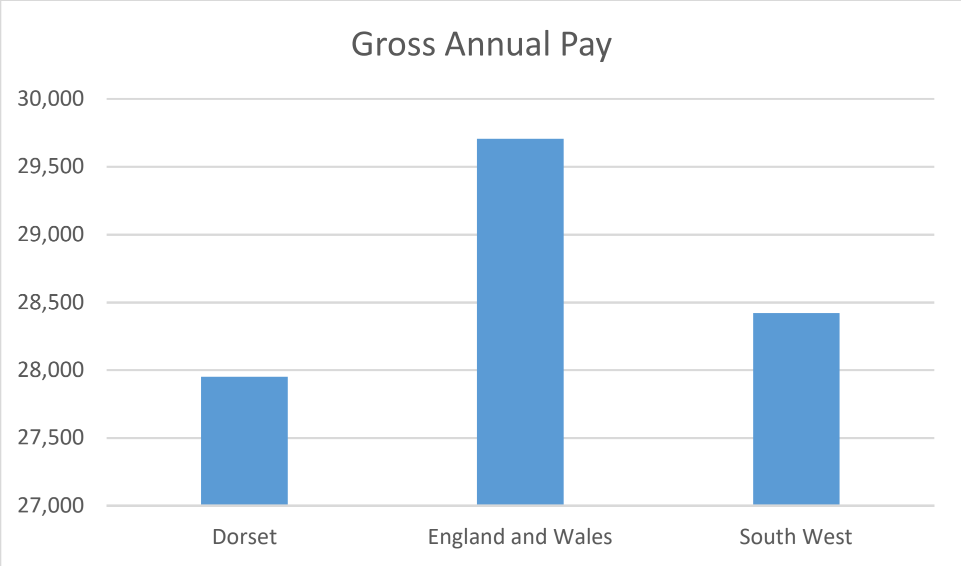
Chart 9



Source: 2017 based District Projections, Dorset County Council and Office for National Statistics

The average, full-time earnings for the area served by the County Council is shown in chart 10, below, compared with the South West and with England and Wales. The full-time earnings for Dorset are lower than for the South West, and lower than for England and Wales.

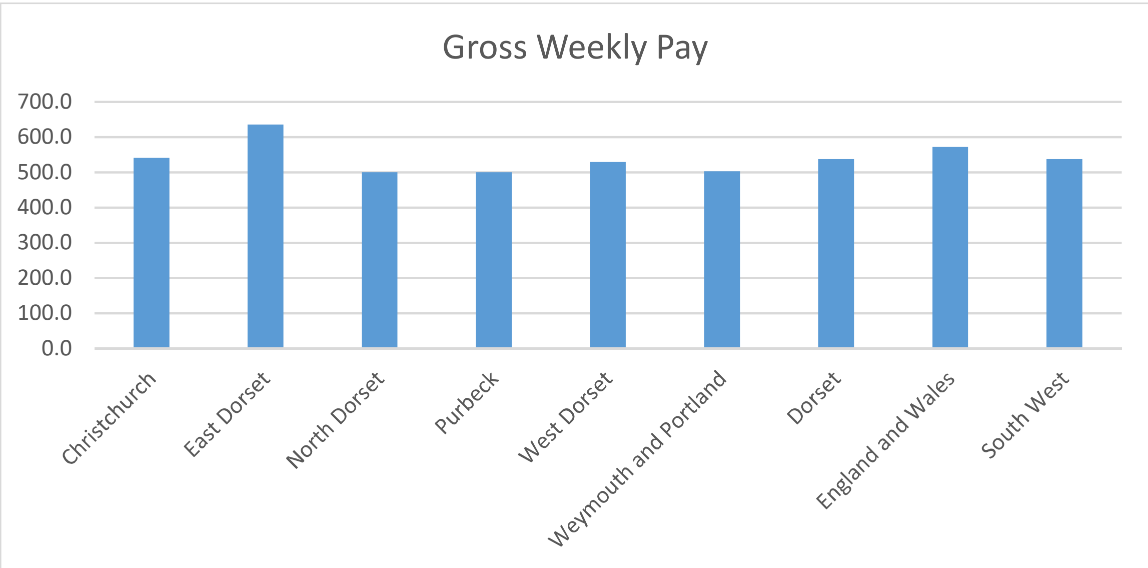
Chart 10



Source: Annual Survey of Hours and Earnings 2018, Office for National Statistics.

The weekly earnings for the area served by the County Council are shown in the chart below and are compared with figures for the South West and with England and Wales.

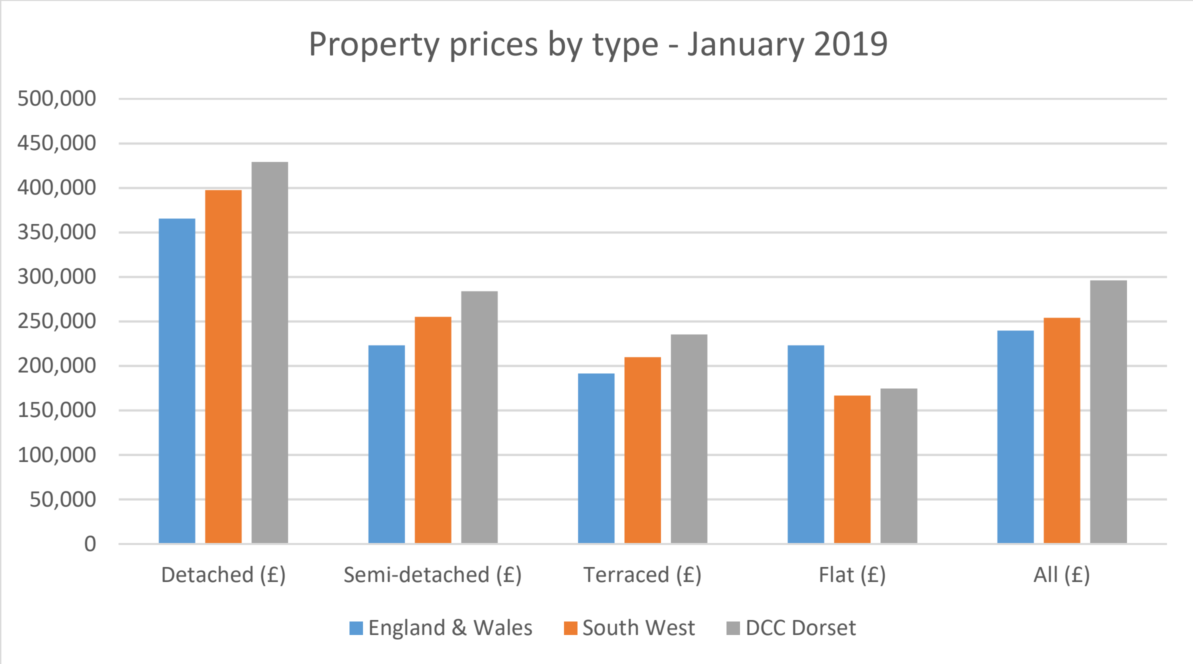
Chart 11



Source: Annual Survey of Hours and Earnings 2018, Office for National Statistics.

The average price of properties in the region of Dorset served by the County Council is shown below, in chart 12, compared with the South West and with England and Wales. The average price of properties in Dorset is higher than the South West region, and higher than for England and Wales, with the exception of flats.

Chart 12



Source: House Price Index, Land Registry

Reserves & balances

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

The level of usable reserves (those which the Council can use to deliver services) reduced from £100.5m to £91m during the year. The movement is principally the result of the continuing overspend on the Dedicated Schools Grant.

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 53. The balance of the County Council's share of general fund decreased from £18.5m to £17.9m. The general fund and the reserves are subject to disaggregation between the two new councils according to principles which they have agreed.

Borrowing and funding sources

The prudential borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Before 2005/06 the Council did not exercise its powers to borrow for expenditure not supported by grant. However, primarily to provide funding for schools' modernisation within the overall capital programme, from 2005/06 the County Council borrowed without grant support. At 31 March 2019 the County Council's capital financing requirement was £346.2m (2018 £340.6m) with £32.1m (2017 £34.9m) relating to PFI schemes and finance leases. Total external borrowing was £211.0m (2018 £226.9m) with the remainder financed temporarily from internal balances.

Liquidity and cash flow

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.

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 year.

Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year. This document has already referred to the cessation of Dorset County Council on 31 March 2019 as part of local government reorganisation.

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.

Pension Fund

Note 13 to the Pension Fund Accounts (Appendix C) shows that the Fund as a whole had investment assets of £3.024bn at 31 March 2019 (2018 £2.857bn), an increase of approximately 6.0%.

The triennial valuation conducted by the Fund's actuary as at 31 March 2016 valued net liabilities at £452m, up from £413m at the last such valuation (31 March 2013) with a funding level of 83% (net asset values as a proportion of total discounted liabilities), up marginally from 82% at 31 March 2013. This is not an immediate problem for the Fund as the liabilities are long term in nature and represent all future retirement commitments.

In response to government requirements for Local Government Pension Scheme (LGPS) funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) was formed in 2017/18 to manage the investment assets of the Dorset fund together with nine other funds in the south west region. Assets began to transition to Brunel's management in 2018/19, with assets under the management of Brunel at 31 March 2019 valued at approximately £0.85 billion, just under 30% of total investment assets.

Basis of preparation

The accounts for 2018/19 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2018/19

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2019. This includes an interpretation of the financial statements, including the Group Accounts, 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.

In addition, separate summarised accounts are included in this document for the Dorset County Pension Fund.

Each set of accounts has its own explanatory notes, which provide further information.

The Primary Financial Statements comprise:

i) <u>Comprehensive Income and Expenditure Statement</u>

   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, rather than the amount to be funded from taxation. Authorities 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 statement of movement in reserves.

There are separate statements for DCC as a single-entity and the DCC group, as explained in the disclosure notes to the Accounts.

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 by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *adjustments between accounting basis and funding basis under regulations*.

The balance sheet identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group.

iii) Statement of Movement in Reserves

This statement shows the movement from the start of the year to the end on the different reserves held by the County Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Movement in Reserves Statement shows how the movements in 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 statutory General Fund Balance movements in the year following those adjustments.

The Statement of Movement in Reserves identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group.

iv) Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the 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.

The statement includes DCC as a single-entity as well as the DCC group.

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. There are disclosures covering the single-entity and consolidated (group) information.

vi) Dorset County Pension Fund Accounts and Notes

These summarise income and expenditure transactions and net worth of the Dorset County Pension Fund, followed by further explanatory notes relevant to the Pension Fund.

Aidan Dunn

Executive Director, Corporate Development

Chief Financial Officer

26th July 2019

Matthew Hall

Chair of the

Dorset Council Audit and Governance Committee

26th July 2019

STATEMENT OF RESPONSIBILITIES

The following statement describes the respective responsibilities of the County 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 County Council and other relevant local authorities can be found on the dorsetforyou.com or dorsetcouncil.gov.uk web site.

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 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 and the Group'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 and the Group 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 2019 and of its income and expenditure for the year then ended.

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

26th July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18		2018/19			
Net Spending £'000	**Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations**	**Gross Spending £'000**	**Income £'000**	**Specific Grants £'000**	**Net Spending £'000**
102,534	Adult Care Service User Related	147,615	38,235	3,002	106,378
18,053	Adult Care Operations	24,351	7,123	111	17,117
16,607	Commissioning, Community Services, Partnerships & Quality	24,929	5,275	4,657	14,997
1,240	Director's Office	1,320	2	-	1,318
138,434	**Adult & Community Services**	**198,215**	**50,635**	**7,770**	**139,810**
328	Chief Executives Office	421	12	-	409
3,079	Legal and Democratic Services	3,186	250	-	2,936
5,497	Financial Services	9,652	6,099	88	3,465
689	Governance & Assurance	596	-	-	596
1,537	Human Resources	2,791	1,297	-	1,494
5,227	Cabinet	9,208	1,678	-	7,530
16,357	**Chief Executive's Dept & Cabinet**	**25,854**	**9,336**	**88**	**16,430**
41,862	Care & Protection	46,672	490	527	45,655
12,232	Commissioning & Partnerships	16,114	2,245	1,944	11,925
19,225	Schools & Learning Service	73,959	2,811	48,119	23,029
4,935	Director's Services	7,221	1,139	1,585	4,497
18,184	Dedicated Support Grant (DSG) Services	182,068	11,624	145,460	24,984
96,438	**Children's Services**	**326,034**	**18,309**	**197,635**	**110,090**
504	Parking, Economy and Planning	3,182	2,525	147	510
14,971	Dorset Travel	16,230	701	1,133	14,396
3,991	Infrastructure	3,940	2,031	109	1,800
3,653	Coast & Countryside	9,549	3,117	1,573	4,859
597	Dorset Property	643	100	-	543
28	Pooled Repairs and Maintenance (R&M)	(190)	-	-	(190)
-	Business Support Environment	342	-	-	342
21,450	Network Operations	23,318	2,525	-	20,793
-	Business Support Highways	(102)	1	-	(103)
860	Network Management	830	-	-	830
1,338	Network Development	1,404	-	-	1,404
1	Network Operations	8	-	-	8
97	EPT	139	-	-	139
1,028	Director's Office	1,176	-	-	1,176
2,108	Streetlighting Private Finance Initiative (PFI)	5,157	385	2,546	2,226
12,549	Information Communication Technology (ICT)	14,671	1,044	-	13,627
2,048	Corporate Development	2,275	106	2	2,167
65,223	**Environment & Economy**	**82,572**	**12,535**	**5,510**	**64,527**
22,980	Dorset Waste Partnership	40,669	17,648	-	23,021
108	Public Health	28,743	13,975	14,612	156
23,088	**Partnerships**	**69,412**	**31,623**	**14,612**	**23,177**
3,206	**Centrally Managed Costs**	**25,492**	**26**	**-**	**25,466**
342,746	**Deficit on Provision of Services**	**727,579**	**122,464**	**225,615**	**379,500**
	Other Operating Income & Expenditure				
634	Net loss/(gain) on disposal of non-current assets	4,537	-	-	**4,537**
11,084	Net loss on disposal of Academies	21,890	-	-	**21,890**
672	Levies and Precepts	798	-	112	**686**
	Financing & Investment Income & Expenditure				
7,414	Interest Payable	7,348	-	-	**7,348**
(87)	Interest and Investment Income	-	178	-	**(178)**
20,243	Pensions Interest Cost & Expected Return on Assets	17,738	-	-	**17,738**
382,706	**Net Operating Expenditure**	**779,890**	**122,642**	**225,727**	**431,521**
	Taxation & Non-Specific Grant Income				
(6,138)	Revenue Support Grant				**-**
(11,837)	Non-Domestic Rates				**(13,242)**
(26,668)	Non-Domestic Rates top-up receipts from Central Government				**(27,487)**
(221,460)	Council Tax				**(235,883)**
(16,218)	Other Central Grants				**(14,681)**
(51,612)	Capital Grants				**(32,076)**
(333,933)	**Total Finance**				**(323,369)**
48,773	**Deficit for the Year**				**108,152**
(13,793)	(Surplus) on the revaluation of Property, Plant & Equipment				**(16,626)**
(98,613)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				**(34,235)**
(63,633)	**Net Comprehensive (Income)/Expenditure**				**57,291**

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

2017/18		2018/19			
Net Spending £'000	**Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations**	**Gross Spending £'000**	**Income £'000**	**Specific Grants £'000**	**Net Spending £'000**
102,534	Adult Care Service User Related	147,615	38,235	3,002	106,378
18,053	Adult Care Operations	24,351	7,123	111	17,117
16,607	Commissioning, Community Services, Partnerships & Quality	24,929	5,275	4,657	14,997
1,240	Director's Office	1,320	2	-	1,318
138,434	**Adult & Community Services**	**198,215**	**50,635**	**7,770**	**139,810**
328	Chief Executives Office	421	12	-	409
3,079	Legal and Democratic Services	3,186	250	-	2,936
5,497	Financial Services	9,652	6,099	88	3,465
689	Governance & Assurance	596	-	-	596
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5,227	Cabinet	9,208	1,678	-	7,530
16,357	**Chief Executive's Dept & Cabinet**	**25,854**	**9,336**	**88**	**16,430**
41,862	Care & Protection	46,672	490	527	45,655
12,232	Commissioning & Partnerships	16,114	2,245	1,944	11,925
19,225	Schools & Learning Service	73,959	2,811	48,119	23,029
4,935	Director's Services	7,221	1,139	1,585	4,497
18,184	Dedicated Support Grant (DSG) Services	182,068	11,624	145,460	24,984
96,438	**Children's Services**	**326,034**	**18,309**	**197,635**	**110,090**
504	Parking, Economy and Planning	3,182	2,525	147	510
14,971	Dorset Travel	16,230	701	1,133	14,396
3,991	Infrastructure	3,940	2,031	109	1,800
3,653	Coast & Countryside	9,549	3,117	1,573	4,859
597	Dorset Property	643	100	-	543
28	Pooled Repairs and Maintenance (R&M)	190	-	-	(190)
-	Business Support Environment	342	-	-	342
21,450	Network Operations	23,318	2,525	-	20,793
-	Business Support Highways	102	1	-	(103)
860	Network Management	830	-	-	830
1,338	Network Development	1,404	-	-	1,404
1	Network Operations	8	-	-	8
97	EPT	139	-	-	139
1,028	Director's Office	1,176	-	-	1,176
2,108	Streetlighting Private Finance Initiative (PFI)	5,157	385	2,546	2,226
12,549	Information Communication Technology (ICT)	14,671	1,044	-	13,627
2,048	Corporate Development	2,275	106	2	2,167
65,223	**Environment & Economy**	**82,572**	**12,535**	**5,510**	**64,527**
22,980	Dorset Waste Partnership	40,669	17,648	-	23,021
108	Public Health	28,743	13,975	14,612	156
23,088	**Partnerships (DCC Leads)**	**69,412**	**31,623**	**14,612**	**23,177**
3,206	**Centrally Managed Costs**	**25,492**	**26**	**-**	**25,466**
342,746	**Deficit on Provision of Services**	**727,579**	**122,464**	**225,615**	**379,500**
(347)	Share of (profit) or loss on the provision of services by joint venture	(359)			**(359)**
68	Tax expenses of joint venture	53			**53**
342,467	**Group (Surplus) / Deficit**	**727,272**	**122,464**	**225,615**	**379,193**
	Other Operating Income & Expenditure				
634	Net loss/(gain) on disposal of non-current assets	4,537	-	-	**4,537**
11,084	Net loss on disposal of Academies	21,890	-	-	**21,890**
672	Levies and Precepts	798	-	112	**686**
	Financing & Investment Income & Expenditure				
7,414	Interest Payable	7,348	-	-	**7,348**
(87)	Interest and Investment Income	-	178	-	**(178)**
20,243	Pensions Interest Cost & Expected Return on Assets	17,738	-	-	**17,738**
382,427	**Net Operating Expenditure**	**779,583**	**122,642**	**225,727**	**431,214**
	Taxation & Non-Specific Grant Income				
(6,138)	Revenue Support Grant				**-**
(11,837)	Non-Domestic Rates				**(13,242)**
(26,668)	Non-Domestic Rates top-up receipts from Central Government				**(27,487)**
(221,460)	Council Tax				**(235,883)**
(16,218)	Other Central Grants				**(14,681)**
(51,612)	Capital Grants				**(32,076)**
(333,933)	**Total Finance**				**(323,369)**
48,494	**Deficit for the Year**				**107,845**
(13,793)	(Surplus) on the revaluation of Property, Plant & Equipment				**(16,626)**
(98,613)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				**(34,235)**
(63,912)	**Net Comprehensive (Income)/Expenditure**				**56,984**

31 March 2018						31 March 2019			
DCC Single Entity		DCC Group				**DCC Single Entity**		**DCC Group**	
£'000	£'000	£'000	£'000		*Note*	**£'000**	**£'000**	**£'000**	**£'000**
7,570		7,570		**Intangible Assets**		**6,244**		**6,244**	
				Property, Plant & Equipment					
				Operational Assets					
384,269		384,269		Land and Buildings		**363,569**		**363,569**	
26,979		26,979		Vehicles, Plant, Furniture & Equipment		**28,785**		**28,785**	
380,408		380,408		Infrastructure Assets (e.g. highways)		**397,373**		**397,373**	
9,669		9,669		Community Assets (e.g. country parks)		**9,793**		**9,793**	
				Non-operational Assets					
37,142		37,142		Assets under construction		**20,794**		**20,794**	
8,449		8,449		Surplus Assets		**6,229**		**6,229**	
	854,486		854,486		*22*		**832,787**		**832,787**
			708	Investment in Joint Venture					**1,014**
	38		-	**Long term Investments**	*32*		**38**		**-**
	4,406		4,406	**Long term Debtors**	*33*		**4,637**		**4,637**
	858,930		859,600	**Long term Assets**			**837,462**		**838,438**
				Current Assets					
1,005		1,005		Inventories	*34*	**1,303**		**1,303**	
56,573		56,573		Debtors and Payments in Advance	*35*	**58,705**		**58,705**	
6,222		6,222		Assets held for sale	*22, 37*	**5,659**		**5,659**	
38,260		38,096		Cash & cash equivalents	*38*	**3,512**		**3,295**	
102,060		101,896				**69,179**		**68,962**	
				Current Liabilities					
45,900		45,900		Short Term Borrowing	*39*	**30,942**		**30,942**	
71,501		71,337		Creditors and Receipts in Advance	*40*	**72,093**		**71,876**	
3,289		3,289		Provisions	*41*	**5,880**		**5,880**	
120,690		120,526				**108,915**		**108,698**	
	(18,630)		(18,630)	**Net Current Assets**			**(39,736)**		**(39,736)**
	840,300		840,970	**Total Assets less Current Liabilities**			**797,726**		**798,702**
				Long Term Liabilities					
(180,963)		(180,963)		Long Term Borrowing	*39*	**(180,020)**		**(180,020)**	
(27,806)		(27,806)		Long Term PFI Liability	*11*	**(25,643)**		**(25,643)**	
(150)		(150)		Other Long-Term Liabilities	*43*	**(175)**		**(175)**	
(7,055)		(7,055)		Obligations Under Finance Leases	*12*	**(6,458)**		**(6,458)**	
(685,090)		(685,090)		Pensions Asset / (Liability)	*24*	**(703,485)**		**(703,485)**	
	(901,064)		(901,064)	**Total Long Term Liabilities**			**(915,781)**		**(915,781)**
	(60,764)		(60,094)	**Net Assets/(Liabilities)**			**(118,055)**		**(117,079)**
				Financed by :-					
				Usable Reserves					
15,923		16,593		General Fund Balance	*53, 54*	**5,269**		**6,245**	
54,155		54,155		Earmarked Reserves	*52*	**52,062**		**52,062**	
1,222		1,222		Usable Capital Receipts Reserve	*51*	**(474)**		**(474)**	
29,235		29,235		Capital Grants Unapplied Account	*48*	**34,153**		**34,153**	
	100,535		101,205	**Total Usable Reserves**			**91,010**		**91,986**
				Unusable Reserves					
7,815		7,815		Collection Fund Adjustment Accounts	*46*	**6,529**		**6,529**	
116,709		116,709		Revaluation Reserve	*49*	**118,998**		**118,998**	
(685,090)		(685,090)		Pensions Reserve	*24*	**(703,485)**		**(703,485)**	
403,375		403,375		Capital Adjustment Account	*45*	**373,263**		**373,263**	
(4,641)		(4,641)		Accumulated Absences Account	*47*	**(4,584)**		**(4,584)**	
330		330		Deferred Capital Receipts Reserve		**-**		**-**	
203		203		Financial Instrument Adj Account	*50*	**214**		**214**	
	(161,299)		(161,299)	**Total Unusable Reserves**			**(209,065)**		**(209,065)**
	(60,764)		(60,094)	**Total Reserves**			**(118,055)**		**(117,079)**

The Balance Sheet is a record of the financial position of the County Council at 31 March 2019. 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 MOVEMENTS IN RESERVES

	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	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)
Movement in reserves during 2017/18									
Surplus/(Deficit) for the year	(48,773)				(48,773)	-	(48,773)		(48,773)
Total Comprehensive Income & Expenditure	(48,773)	-	-	-	(48,773)	112,406	63,633	279	63,912
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	95,447	-	1,203	-	96,650	(96,650)	-	-	-
Transfers to/from specific reserves									
Total transfers	(47,502)	(2,520)	-	11,080	(38,942)	38,942	-	-	-
Balance as at 31 March 2018	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)

	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	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£000	£000	£000	£000	£000	£000	£000		
Note	53, 54	52	51	48					
Balance as at 31 March 2018	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)
Movement in reserves during 2018/19									
Surplus/(Deficit) for the year	(108,152)				(108,152)	-	(108,152)		(108,152)
Total Comprehensive Income & Expenditure	(108,152)	-	-	-	(108,152)	50,861	(57,291)	306	(56,985)
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	125,169	-	(1,696)	-	123,473	(123,473)	-	-	-
Transfers to/from specific reserves							-		
Total transfers	(27,671)	(2,093)	-	4,918	(24,846)	24,846	-	-	-
Balance as at 31 March 2019	5,269	52,062	(474)	34,153	91,010	(209,065)	(118,055)	975	(117,080)

Revenue & Capital Reserves Analysis as at 31 March 2019									
Revenue	5,269	52,062	-	-	57,331	(701,326)	(643,995)	975	(643,020)
Capital	0	-	(474)	34,153	33,679	492,261	525,940	-	525,940
	5,269	52,062	(474)	34,153	91,010	(209,065)	(118,055)	975	(117,080)

CASH FLOW STATEMENT (SINGLE ENTITY AND DCC GROUP)

2017/18						2018/19			
DCC Single Entity		DCC Group				DCC Single Entity		DCC Group	
£'000	£'000	£'000	£'000		Note	£'000	£'000	£'000	£'000
				Operating Activities					
				Expenditure					
(245,084)		(245,084)		Cash Paid to or on behalf of employees		(249,757)		(249,757)	
(334,786)		(334,786)		Other operating costs		(348,920)		(348,920)	
(7,414)		(7,414)		Interest paid		(7,348)		(7,348)	
		(68)		Tax paid				(53)	
	(587,284)		(587,352)				(606,025)		(606,078)
				Income					
221,460		221,460		Precept - Council Tax		235,883		235,883	
6,138		6,138		Revenue Support Grant		-		-	
38,505		38,505		National Non Domestic Rates		40,729		40,729	
242,221		242,221		Other Government Grants	14	240,408		240,408	
102,183		102,183		Cash Received for goods and services		96,289		96,289	
87		87		Interest received		178		178	
	610,594		610,594				613,487		613,487
	23,310		23,242	**Net cash inflow / (outflow) from operating activities**			7,462		7,409
				Investing Activities					
				Expenditure					
(56,833)		(56,833)		Purchase of fixed assets/capital repayments	26	(53,806)		(53,806)	
				Transfers/PFI capital repayments					
				Income					
1,204		1,204		Sale of fixed assets/(application of capital receipts)		(1,697)		(1,697)	
51,697		51,697		Capital grants and contributions received		31,929		31,929	
	(3,932)		(3,932)	**Net cash inflow / (outflow) from investing activities**			(23,574)		(23,574)
	19,378		19,310	**Net cash inflow / (outflow) before financing**			(16,112)		(16,165)
				Financing					
45,000		45,000		New Short term borrowing		30,000		30,000	
(31,419)		(31,419)		Short term borrowing repaid		(45,900)		(45,900)	
(2,419)		(2,419)		Movement in PFI liabilities		(2,163)		(2,163)	
(294)		(294)		Movement in finance lease liabilities		(598)		(598)	
36		36		Movement in Long Term Investments		25		25	
	10,904		10,904	**Net cash inflow / (outflow) from financing activities**			(18,636)		(18,636)
	30,282		30,214	**Net increase / (decrease) in cash & cash equivalents**			(34,748)		(34,801)
	7,978		7,882	**Cash & cash equivalents at the beginning of the period**			38,260		38,096
	38,260		38,096	**Cash & cash equivalents at the end of the period**			3,512		3,295

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:

Amendments to IAS 40 Investment Property: Transfers of Investment

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

All of these standards will be incorporated into the Code from 2019/20 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.

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 the Comprehensive Income and Expenditure Statement and Note 14.

Other Local Authorities and Bodies levying demands on the council tax

Levies paid to other bodies during 2018/19 included the following material transactions: -

2017/18 £'000		**2018/19 £'000**
577	Environment Agency	**587**
207	Southern Sea Fisheries Committee	**211**

The County 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.

Transactions with Bournemouth and Poole Borough Councils, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 25.

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

2017/18 £'000		**2018/19 £'000**
114	Dorset & Wiltshire Fire and Rescue Authority	**72**

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

2017/18 £'000		**2018/19 £'000**
19	Dorset & Wiltshire Fire and Rescue Authority	**15**

Elected Members, Staff & close families

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

Councillor Mark Roberts is a director of Daley Homecare Ltd which has contractual relationship with the County Council to provide adult social and health care services. Daley Homecare Ltd was paid £131k by the County Council during 2018/19 (£224k during 2017/18).

The County Council's elections were held on 4th May 2017. The election resulted in the Council remaining in Conservative control. Details of the election results can be found on the dorsetforyou website.

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

The County Council's activities expose it to a variety of financial risks, the key risks are:

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

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

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing 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.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

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 2019 was £18.2m (2018 £19m).

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 address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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.

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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

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.

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 statement of financial position 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, or fair value through other comprehensive income.

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.

Long term investments

Long term investments represent joint ventures that are not relevant for IFRS 9 and are accounted for using the equity method of consolidation in accordance with IFRS11 and IFRS12.

Financial Instrument Balances

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

2017/18			**2018/19**	
Long-Term	Current		**Long-Term**	**Current**
£'000	£'000	**Financial Assets**	**£'000**	**£'000**
4,406	56,573	**Debtors - fair value**	**4,637**	**58,705**
4,406	56,573		**4,637**	**58,705**
-	38,260	**Cash and Cash Equivalents - fair value**	**-**	**3,512**
-	38,260		**-**	**3,512**

2017/18			**2018/19**	
Long-Term	Current		**Long-Term**	**Current**
£'000	£'000	**Financial Liabilities**	**£'000**	**£'000**
		Borrowing - amortised cost		
(85,863)	(900)	Public Works Loan Board (PWLB)	**(84,920)**	**(942)**
(95,100)	(45,000)	Other lenders	**(95,100)**	**(30,000)**
(180,963)	(45,900)		**(180,020)**	**(30,942)**
		Other Liabilities - amortised cost		
(27,806)	-	PFI Liability	**(25,643)**	**-**
(150)	-	Other Long Term Liabilities	**(175)**	**-**
(7,055)	-	Obligations Under Finance Leases	**(6,458)**	**-**
(35,011)	-		**(32,276)**	**-**
-	(71,501)	**Creditors (payable within 12 months) - fair value**	**-**	**(72,093)**
-	(71,501)		**-**	**(72,093)**

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

2017/18 Level 1 £'000	2017/18 Level 2 £'000	2017/18 Level 3	Financial Assets	2018/19 Level 1	2018/19 Level 2 £'000	2018/19 Level 3 £'000
-	60,979	-	**Debtors - fair value**	**-**	**63,342**	**-**
-	60,979	-		**-**	**63,342**	**-**
38,260	-	-	**Cash and Cash Equivalents - fair value**	**3,512**	**-**	**-**
38,260	-	-		**3,512**	**-**	**-**

2017/18 Level 1 £'000	2017/18 Level 2 £'000	2017/18 Level 3 £'000	Financial Liabilities	2018/19 Level 1 £'000	2018/19 Level 2 £'000	2018/19 Level 3 £'000
			Borrowing - amortised cost			
(86,763)	-	-	Public Works Loan Board (PWLB)	**(85,862)**	**-**	**-**
(140,100)	-	-	Other lenders	**(125,100)**	**-**	**-**
(226,863)	-	-		**(210,962)**	**-**	**-**
			Other Liabilities - amortised cost			
-	(27,806)	-	PFI Liability	**-**	**(25,643)**	**-**
-	(150)	-	Other Long Term Liabilities	**-**	**(175)**	**-**
-	(7,055)	-	Obligations Under Finance Leases	**-**	**(6,458)**	**-**
-	(35,011)	-		**-**	**(32,276)**	**-**
-	(71,501)		**Creditors (payable within 12 months) - fair value**	**-**	**(72,093)**	**-**
-	(71,501)	-		**-**	**(72,093)**	**-**

The amount owed to the Council by sundry debtors can be analysed by age as follows:

2017/18 £'000		2018/19 £'000
3,534	Less than 30 days	**7,027**
1,333	Between 30 and 180 days	**1,624**
575	Between 181 and 365 daya	**488**
1,087	Over 1 year	**1,227**
6,529		**10,366**
1,348	Provision for bad debts - impairment	**1,589**

4. Events after the Balance Sheet date

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.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination. The implications of the ruling are therefore expected to apply to all public sector schemes including the LGPS. The Government sought permission to appeal this decision to the Supreme Court but was subsequently denied on 27 June 2019. There remains, however, considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for Dorset County Council equates to a potential increase in liabilities of approximately £20.8 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for Dorset County Council as at 31 March 2019 to be 0.8% of total liabilities. This equates to a potential increase in liabilities of approximately £12.4 million.

Dorset County Council has adjusted its accounts by the amount estimated using the GAD methodology of £20.8 million.

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 re-stating the opening balance sheet for the current year. Transfers are not reflected in the Comprehensive Income & 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 re-state comparative year figures.

Academies

During the year ended 31 March 2019, the following Schools were established as Academies under the Academies Act 2010. The amounts in the table below are included in the Comprehensive Income & Expenditure Statement on account of each school.

2017/18					2018/19		
Schools Delegated Budgets	Schools - LEA Expenditure	Dedicated Schools Grant	**Conversion Date**		**Schools Delegated Budgets**	**Schools - LEA Expenditure**	**Dedicated Schools Grant**
£'000	£'000	£'000			**£'000**	**£'000**	**£'000**
1,934	241	1,828	01/07/18	Lockyers Middle School	674	103	474
931	60	890	01/08/18	Milldown CE VC Primary School	354	(20)	296
1,421	166	1,409	01/11/18	Lytchett Matravers Primary School	944	55	829
1,377	223	1,322	01/11/18	Upton Junior School	885	113	774
966	60	952	01/11/18	Upton Infant School	651	60	556
501	189	478	01/12/18	Bere Regis Primary School	336	(106)	300
945	194	915	01/01/19	Hillside First School	742	504	673
1,048	65	998	01/01/19	Verwood First School	839	(19)	745
9,123	1,197	8,792			**5,426**	**690**	**4,647**

The funding changes in 2013/14 have simplified the recoupment from the Dedicated Schools Grant in respect of academies. The only recoupment is now for the formula funded element of Dedicated Schools Grant, which now includes the de-delegated budgets (budgets delegated to schools which maintained schools have decided to transfer back to central DSG funding). The Department For Education also makes reductions to Local Authority funding via the Education Services Grant to provide grant to academies to fund their central services (previously provided by the Authority).

The total number of schools converted to academies now comes to 79.

The Authority also received notification from the following Schools, that they intend to become Academies under the Academies Act 2010. The amounts shown are the values of the schools balances in the Authority's General Fund as at 31 March 2019.

School	**Actual/Advised Date (if known)**	**School Balance at 31 March 2019 Surplus/(deficit) £**
St Mary the Virgin School, Gillingham	Unknown	**28,586**
Okeford Fitzpaine CE VA School	Unknown	**(2,337)**
Sherborne Learning Centre	Unknown	**(211,421)**
Budmouth Technology College	Unknown	**(831,511)**
All Saints CE School, Weymouth	Unknown	**(231,585)**
Damers First School	Unknown	**178,833**
Bovington Primary School	Unknown	**18,034**
St Mary's Primary School, Thormcombe	Unknown	**(34,976)**

When a School achieves Academy status, it legally closes as a Local Authority School and is immediately re-established as a separate legal entity.
When an Academy is established, it is funded directly by the Government, through distribution of General Annual Grant from the Education Funding Agency. A calculation to determine the value of any School balances in the Local Authority's accounts must be completed within four months of the transfer date. The Academy then has one month in which to appeal to the Secretary of State for a review if it disagrees with the calculated balance. The Secretary of State has three months in which to make a determination of the actual balance. The Local Authority must pay over any surplus balance to the Academy within one month of the Academy agreeing the surplus balance (or failing to apply for a review by the statutory date) or the determination of the surplus by the Secretary of State.
Where the transferring converter School has a deficit balance, the Government reimburses the Local Authority for this. For sponsored Academies, any deficit remains with the Local Authority.

Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, in partnership with Bournemouth Borough Council and the Borough of Poole, Dorset County Council launched Tricuro. Further information can be found in note 6 on Group Accounts.

6. Group accounts and disclosure of interests in other entities

Dorset Development Partnership

On 26th April 2011, the Authority entered into an agreement with BV Strategies Facilitating Ltd, to establish a Limited Liability Partnership, PSP Dorset LLP, trading as Dorset Development Partnership (the Partnership). BV Strategies Facilitating Ltd changed its name to PSP Facilitating Ltd on 24 February 2012.

The Partnership was established to build value, over and above the latent market value, for land and/or buildings identified as surplus to the County Council's 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 Partnership has an accounting date of 31 March as from the 2018/19 financial year, previously 30 April.

At 31 March 2019, the following properties were being worked on by the Partnership:
White Pit Farm buildings, Shillingstone
Sites off Flood Lane, Bridport

Properties completed during 2018/19:
The Barracks site, Dorchester.
Damers Road Store, Damers Road, Dorchester.
The accounts of Dorset County Council reflect the sale of these assets and no further disclosure is provided here.

Going forward, the Partnership will be merged with partnerships that PSP Facilitating Ltd has with three of the former district authorities that have now merged with the County Council to form Dorset Council. Additional properties will be considered for transfer and will be committed to the partnership if value can be added. Surplus properties are not transferred legally or contractually to the partnership, nor to any third party until the final sale is achieved.

At 31 March 2019, the properties being worked on by the Partnership were still assets of Dorset County Council and the non-deminimus assets are shown within the assets held for sale section of the Balance Sheet.

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 Authority is guaranteed a minimum receipt from the sale of the assets.

The financial results of the partnership have been consolidated into the DCC Group Accounts using the equity method. The partnership was not previously considered relevant for consolidation into group accounts for the Authority on the grounds of materiality, and also that the turnover of the business is materially reported through the capital receipts achieved by the County Council in its single-entity accounts.

As at 31 March 2019, the draft accounts for the partnership showed total assets less current liabilities of £262k (£636k as at 30 April 2018), materially all of this being work in progress.

South West Audit Partnership (SWAP)

Until 31 March 2013, SWAP was a joint committee established by its members to assist them in the provision of a shared internal audit, counter-fraud and governance-related service. It operated under S101 of the Local Government Act 1972 and was hosted by South Somerset District Council. The Members considered that the future operation of SWAP as a company would improve efficiency and SWAP's management, governance and accounting processes.

SWAP therefore established itself as a company limited by guarantee, a local authority controlled company, and started trading on 1 April 2013. There are twenty four members, Dorset County Council being one of them. Given the Council's influence through it's membership, the company falls to be treated as a joint venture. Although its results are not material, SWAP is consolidated into the Group Accounts for Dorset County Council. The following disclosures are offered for the Company, prepared in accordance with Financial Reporting Standard (FRS) 102.

Summary Balance Sheet		**Draft**
	31/03/2018	**31/03/2019**
	£'000	**£'000**
Intangible assets	12	**8**
Tangible assets	34	**27**
Current assets	1,546	**1,300**
Creditors due within 12 months	(323)	**(262)**
Deferred Income	(945)	**(636)**
Pension fund liability	(7,667)	**(7,806)**
Net liabilities	(7,343)	**(7,369)**
Financed by:		
Retained earnings	(7,522)	**(7,548)**
Other reserves	179	**179**
Total reserves	(7,343)	**(7,369)**

Summary Income & Expenditure	31/03/2018 £'000	Draft 31/03/2019 £'000
Turnover	3,114	**3,415**
Admin expenses	(3,362)	**(3,415)**
Operating profit / (loss)	(248)	**-**
Interest receivable and similar income	1	**2**
Interest payable and similar charges	(215)	**(192)**
Loss on ordinary activities	**(462)**	**(190)**

Statement of Other Comprehensive Income	31/03/2018 £'000	Draft 31/03/2019 £'000
Loss for the Financial Year	(462)	**(190)**
Actuarial gain/(loss) on pension scheme	741	**166**
Total comprehensive income (total recognised gains/(losses))	279	**(24)**

Turnover included above, from trading with Dorset County Council was £315k for 2018/19 (£292k in 2017/18).

TRICS Consortium Ltd

TRICS Consortium Ltd was incorporated on 14th October 2014 by Dorset County Council and five other local authorities (East Sussex County Council, West Sussex County Council, Hampshire County Council, Surrey County Council and Kent County Council). Each of these members owns £37.5k of ordinary shares in the company. All shares are fully paid-up. Each authority appoints a Director to the company's Board of Directors.

Prior to incorporation, the TRICS consortium was operated as a joint committee with West Sussex County Council as the accountable body. Members of the unincorporated consortium contributed funding to the joint arrangement to pay for costs falling to West Sussex as the accountable body and also contributed their expertise and other resources at their own cost.

The decision to incorporate was taken after legal advice surrounding the rules for local authorities involved in trading and the potential for the TRICS arrangements to generate revenue for the members beyond what is currently allowed if operated purely by a local authority.

The Company employs four members of staff; the Managing Director, an Operations Manager and two Operations Officers. The Managing Director reports to the Board of Directors at monthly Board Meetings and takes strategic direction from the Board.

The company's main purpose is to operate an online Trip Rate Database for use of the Transportation Industry for the production of Transport Assessments and Travel Plans during the Planning Application process and for the monitoring of active Travel Plans, usually under section 106 agreements. The company manages the database and commissions independent data collection companies to survey different land uses and developments so that the data can be input into the system.

The accounting date is 31 December. The results and performance, from the company's Financial Statements for the year to 31 December 2018, are:

Summary Balance Sheet	31/12/2017 £'000	31/12/2018 £'000
Intangible assets	302	**363**
Tangible assets	6	**6**
Current assets	764	**900**
Creditors due within 12 months	(360)	**(418)**
Net assets (liabilities)	712	**851**
Financed by:		
Ordinary share capital	225	**225**
Share premium	365	**365**
Retained profit	122	**261**
Total reserves	712	**851**

Summary Income & Expenditure	31/12/2017 £'000	31/12/2018 £'000
Turnover	1,414	**1,496**
Cost of sales	(386)	**(339)**
Other operating expenses	(315)	**(331)**
Profit on ordinary activities	713	**826**
Tax on profit on ordinary activities	(137)	**(157)**
	576	**669**

Turnover included above, from trading with Dorset County Council for the year to 31 December 2018 was £3k (year to 31 December 2017 £3k). Dorset County Council received a dividend of £93k during 2018/19 (2017/18 £80k).

There were not any material transactions between the TRICS year-end date of 31st December 2018 and the Dorset County Council year-end date of 31st March 2019.

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 of two companies established under local authority trading company principles to take the transfer of the three authorities' supply-side Adult Social Services business, with staff transferring from each of the three authorities in order to provide care services.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2018-19 was £40.3m (the group turnover was £41.4m in 2017-18). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro, the value of this contract was £1.002m for the period to 31 March 2019. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £862k for the period to 31 March 2019.

Dorset County Council treats Tricuro, SWAP, TRICS and the DDP as joint ventures in line with the published accounting policies.

7. Prior period adjustments
There are no prior year adjustments to disclose for the 2018/19 Accounts.

8. 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.

	2018/19									2017/18
	Adult & Community Services	**Chief Executive's Dept & Cabinet**	**Children's Services**	**Environment & Economy**	**Partnerships (DCC Leads)**	**Centrally Managed Costs**	**Total**	**Final Budget Estimate**	**Variance**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Internal Charges/Trading	(200)	(4,003)	4,149	(2,115)	2,185	1	**17**	**191**	**174**	(14)
Authority (Democratic) Costs	-	748	-	-	-	-	**748**	776	**28**	741
Pay Related Costs	25,089	17,183	168,575	25,139	14,519	188	**250,693**	258,038	**7,345**	251,444
Premises Related Costs	1,321	2,723	12,070	2,978	1,379	2,170	**22,641**	27,633	**4,992**	22,264
Transport Related Costs	691	1,006	9,119	7,874	2,159	-	**20,849**	19,794	**(1,055)**	20,052
Supplies and Service	45,957	4,323	83,369	8,797	5,532	(894)	**147,084**	130,577	**(16,507)**	157,212
Transfer Payments	29,671	-	886	-	3	-	**30,560**	24,826	**(5,734)**	24,002
Third Party Payments	90,983	2,050	12,947	9,402	38,744	3	**154,129**	142,178	**(11,951)**	133,915
Net Schools Budget adjs	-	-	1,413	-	-	-	**1,413**	274	**(1,139)**	653
Cost Centre Balances	-	-	1,588	-	-	2,797	**4,385**	603	**(3,782)**	357
Government Grants	(7,770)	(88)	(197,636)	(5,511)	(14,612)	-	**(225,617)**	(220,540)	**5,077**	(225,892)
Reimbursements and Contributions	(25,160)	(2,162)	(11,768)	(1,924)	(26,205)	-	**(67,219)**	(58,309)	**8,910**	(62,269)
Fees and Charges	(25,475)	(7,173)	(6,541)	(10,611)	(5,418)	(26)	**(55,244)**	(49,671)	**5,573**	(51,241)
Corporate Income & Expenditure	-	-	(229)	-	-	(40)	**(269)**	(1,392)	**(1,123)**	(320)
Funding	-	-	-	-	-	-	**-**	-	**-**	0
Transfers to/(from) Reserves	-	-	(130)	(177)	(135)	442	**-**	937	**937**	24
Reported in Management Accounts	**135,107**	**14,607**	**77,812**	**33,852**	**18,151**	**4,641**	**284,170**	**275,915**	**(8,255)**	270,928
IAS 19 Pension Adjustment	2,310	1,285	5,979	2,990	1,059	20,825	**34,448**	34,450	**2**	24,528
Capital Charges	2,393	538	26,299	27,685	3,967	-	**60,882**	61,109	**227**	47,290
Deficit on Provision of Services	**139,810**	**16,430**	**110,090**	**64,527**	**23,177**	**25,466**	**379,500**	**371,474**	**(8,026)**	342,746
Recharges (SERCOP)	11,125	(7,523)	16,803	(17,952)	-	(2,453)	**-**	-		-
Deficit on Provision of Services	**150,935**	**8,907**	**126,893**	**46,575**	**23,177**	**23,013**	**379,500**	**371,474**	**(8,026)**	342,746

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.

9. Expenditure and Funding Analysis

2017/18 Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjustments between Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement		2018/19 Net Expenditure Chargeable to the General Fund Balance	2018/19 Adjustments between Funding and Accounting Basis	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement	Original Estimate	Final Estimate	Variance ( ) = over
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
132,946	5,488	138,434	Adult & Community Services	135,177	4,633	139,810	136,781	139,652	(158)
12,852	3,505	16,357	Chief Executive's Dept & Cabinet	14,935	1,495	16,430	10,238	16,889	459
77,114	19,324	96,438	Children's Services	90,861	19,229	110,090	65,103	103,082	(7,008)
36,336	28,887	65,223	Environment & Economy	38,657	25,870	64,527	54,364	65,469	942
17,360	5,728	23,088	Partnerships (DCC Leads)	18,052	5,125	23,177	25,094	23,177	-
(8,187)	11,393	3,206	Centrally Managed Costs	(14,293)	39,759	25,466	1,257	23,205	(2,261)
268,420	74,326	342,746	**Deficit on Provision of Services**	283,389	96,111	379,500	292,837	371,474	(8,026)
			Other Operating Income & Expenditure						
187	447	634	Net loss/(gain) on disposal of non-current assets	(292)	4,829	4,537	-	4,537	-
	11,084	11,084	Net loss on disposal of Academies	-	21,890	21,890	-	21,890	-
672		672	Levies and Precepts	686		686	694	694	8
			Financing & Investment Income & Expenditure						
7,414		7,414	Interest Payable	7,348		7,348	8,023	8,023	675
(68)	(19)	(87)	Interest and Investment Income	(122)	(56)	(178)	(100)	(100)	78
(25)	20,267	20,243	Pensions Interest Cost & Expected Return on Assets	-	17,738	17,738	-	17,738	-
10,648	(10,648)		CERA/MRP	17,947	(17,947)				
(4,129)	4,129		Movements to/from reserves	(4,591)	4,591	-	-	-	
			Taxation & Non-Specific Grant Income						
(6,138)		(6,138)	Revenue Support Grant	-		-	-	-	-
(11,268)	(569)	(11,837)	Non-Domestic Rates	(13,295)	53	(13,242)	(11,929)	(13,654)	(412)
(26,668)		(26,668)	Non-Domestic Rates top-up receipts from Central Government	(27,487)		(27,487)	(27,446)	(27,487)	-
(220,546)	(914)	(221,460)	Council Tax	(237,116)	1,233	(235,883)	(237,115)	(235,882)	1
(16,218)		(16,218)	Other Central Grants	(14,681)		(14,681)	(15,467)	(14,497)	185
(1,453)	(50,159)	(51,612)	Capital Grants	(1,131)	(30,945)	(32,076)	-	(168)	31,908
(267,592)	(26,382)	(293,973)	**Total Other Income and Expenditure**	(272,735)	1,387	(271,348)	(283,340)	(238,905)	32,443
828	47,944	48,773	**Deficit for the Year**	10,654	97,498	108,152	9,497	132,569	24,417
(16,751)			Opening General Fund Balance as at 31 March 2018	(15,923)					
828			Less Deficit on General Fund Balance	10,654					
(15,923)			**Closing General Fund Balance as at 31 March 2019**	(5,269)					

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

2017/18 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19 Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
5,488	Adult & Community Services	2,383	2,310	(60)	4,633
3,505	Chief Executive's Dept & Cabinet	209	1,286	-	1,495
19,324	Children's Services	12,883	6,111	235	19,229
28,887	Environment & Economy	22,775	3,166	(71)	25,870
5,728	Partnerships (DCC Leads)	3,925	1,194	6	5,125
11,393	Centrally Managed Costs	19,113	20,825	(179)	39,759
74,326	**Deficit on Provision of Services**	61,288	34,892	(69)	96,111
(26,382)	**Other Income and Expenditure from the Funding Analysis**	(22,228)	17,738	5,877	1,387
47,944	**Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit**	39,060	52,630	5,808	97,498

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 Expenditure and Funding Analysis 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.

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 County Council.

In 2009, the County Council also 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 2017/18 £'000	Grants Rcvd 2017/18 £'000		**Payments 2018/19 £'000**	**Grants Rcvd 2018/19 £'000**
5,790	(2,546)	Street lighting (provider)	**5,900**	**(2,546)**
1,260	-	Street lighting (energy)	**1,423**	**-**
2,715	(1,559)	Colfox School (provider)	**2,750**	**(1,559)**

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

	Street lighting £'000	**Colfox School £'000**
Capital repayment	**57,109**	**14,717**
Interest charges	**3,845**	**6,817**
Service charges	**40,754**	**17,079**
	101,708	**38,613**

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

Assets	**Street lighting £'000**	**Colfox School £'000**
Opening balance	**45,074**	**23,281**
Additions/developments/lifecycle	**2,291**	**-**
Revaluations	**-**	**859**
Impairments	**-**	**-**
Depreciation	**(1,480)**	**(470)**
Closing balance	**45,885**	**23,670**

Liabilities	**Street lighting £'000**	**Colfox School £'000**
Opening balance	**(17,849)**	**(9,957)**
Additions/developments/lifecycle	**(2,291)**	**(942)**
Repayments	**3,990**	**1,406**
Closing balance	**(16,150)**	**(9,493)**

Future PFI liabilities fall due as analysed in the table below.

	Payments due within one year £'000	**Payments due between one and five years £'000**	**Payments due after five years £'000**	**Total future payments £'000**
Street lighting	**1,172**	**4,489**	**10,489**	**16,150**
Colfox School	**510**	**2,781**	**6,202**	**9,493**
Total future payments	**1,682**	**7,270**	**16,691**	**25,643**

12. Leases

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

Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	**Buildings £'000**
Carrying amount as at 31/03/2017	1,937	4,524
New finance leases	407	-
Depreciation charge	(648)	(219)
Carrying amount as at 31/03/2018	1,696	4,305
New finance leases	-	-
Depreciation charge	(476)	(207)
Carrying amount as at 31/03/2019	1,220	4,098

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2017	(2,075)	(5,274)
Liabilities added	(407)	-
Capital repayment	533	168
Carrying amount as at 31/03/2018	(1,949)	(5,106)
Liabilities added	-	-
Capital repayment	448	149
Carrying amount as at 31/03/2019	(1,501)	(4,957)

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

	2017/18 £'000	2018/19 £'000	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	569	534	534	2,136	8,271
Finance leases - plant, equipment, vehicles	871	736	684	1,351	-
All finance leases	1,440	1,270	1,218	3,487	8,271
Operating leases - property	609	625	853	2,718	8,450
Operating leases - plant, equipment, vehicles	692	851	792	1,563	-
All operating leases	1,301	1,476	1,645	4,281	8,450
All leases	2,741	2,746	2,863	7,768	16,721

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

	MLP £'000	Net Present Value MLP £'000
Finance leases	12,977	7,880
Operating leases	14,376	9,173

Debtor representing interest in finance leases

	£'000
Closing balance 31/03/2017	-
Payments received	-
New finance leases	228
Closing balance 31/03/2018	228
Payments received	(8)
Closing balance 31/03/2019	220

Future receipts from leases

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	16	63	220
Operating leases - property	3,581	4,328	13,004

Operating leases above include the following arrangements with Tricuro:

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Operating leases - property	2,398	604	-

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

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	298	235
Operating leases - property	20,912	12,641

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 following the year-end processes for accruals.

2017/18 Revenue Recognised for the year		2018/19 Income from contracts with customers	Other Income	Specific Grants	Revenue Recognised for the year
£'000		**£'000**	**£'000**	**£'000**	**£'000**
53,063	**Adult & Community Services**	45,799	4,836	7,770	**58,405**
8,110	**Chief Executive's, Cabinet & Corporate**	8,876	486	88	**9,450**
217,579	**Children's Services**	2,191	16,118	197,635	**215,944**
15,262	**Environment & Economy**	10,385	2,150	5,510	**18,045**
45,336	**Partnerships**	31,400	223	14,612	**46,235**
339,350	**Total**	**98,651**	**23,813**	**225,615**	**348,079**

14. Analysis of Government Grants

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

2017/18 £'000		**2018/19 £'000**
197,080	Education	**193,396**
20,280	Communities & Local Government	**21,898**
20,027	Health	**19,859**
952	Transport	**1,072**
674	Environment, Food & Rural Affairs	**734**
292	Business, Innovation & Skills	**289**
23	Ministry of Defence	**-**
-	European Union	**23**
761	Home Office	**770**
454	Other	**1,352**
240,543		**239,393**

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 Schools Finance and Early Years (England) Regulations 2017. 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 2018/19 are as follows: -

Total 2017/18 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	**Total 2018/19 £'000**
262,708	Final DSG for 2018/19 before Academy recoupment			**276,398**
(90,670)	Academy figure recouped for 2018/19			**(106,706)**
172,038	Final DSG for 2018/19 after Academy recoupment			**169,692**
(3,691)	Plus: Brought forward from 2017/18			**(8,717)**
168,347	Agreed initial budgeted distribution in 2018/19	48,375	112,600	**160,975**
(871)	In year adjustments	445	1,159	**1,604**
167,476	Final budgeted distribution in 2018/19	48,820	113,759	**162,579**
51,940	Less: Actual central expenditure	64,141		**64,141**
124,253	Less: Actual ISB deployed to schools		113,977	**113,977**
-	Local Authority contribution for 2018/19	771		**771**
(8,717)	Carry forward to 2019/20	(14,550)	(218)	**(14,768)**

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

The Total Capital Expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is charged to the Income and Expenditure account 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.

2017/18 £'000		**2018/19 £'000**
9,451	Expenditure in Service Budgets funded from Capital Adjustment Account	**19,113**

17. Members' allowances

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

2017/18 £'000		**2018/19 £'000**
695	Members' Allowances	**704**

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. Although not required by the Regulations, this list includes pension contributions, as well as Senior Officers disclosed in the subsequent table. Missing bands have no staff in them for either year (eg £155,000 to £160,000).

2017/18				**2018/19**		
Non-schools	LEA Schools	VA/VC Schools	Group	**Non-schools**	**LEA Schools**	**VA/VC Schools**
130	89	49	£50,000 to £55,000	**174**	**116**	**58**
66	45	42	£55,000 to £60,000	**95**	**45**	**42**
41	16	13	£60,000 to £65,000	**72**	**18**	**20**
27	17	11	£65,000 to £70,000	**27**	**16**	**10**
12	14	4	£70,000 to £75,000	**17**	**11**	**9**
6	12	8	£75,000 to £80,000	**9**	**9**	**4**
5	5	4	£80,000 to £85,000	**3**	**7**	**5**
3	5	3	£85,000 to £90,000	**3**	**6**	**1**
2	3	1	£90,000 to £95,000	**3**	**4**	**2**
5	1	-	£95,000 to £100,000	**7**	**-**	**-**
5	1	1	£100,000 to £105,000	**2**	**1**	**-**
5	3	-	£105,000 to £110,000	**1**	**2**	**-**
1	2	1	£110,000 to £115,000	**2**	**-**	**1**
-	-	-	£115,000 to £120,000	**2**	**-**	**-**
1	-	-	£120,000 to £125,000	**2**	**1**	**1**
-	-	-	£125,000 to £130,000	**1**	**-**	**-**
-	-	-	£140,000 to £145,000	**1**	**-**	**-**
2	-	-	£145,000 to £150,000	**-**	**-**	**-**
-	-	-	£150,000 to £155,000	**1**	**-**	**-**
-	1	-	£160,000 to £165,000	**-**	**1**	**-**
-	-	-	£180,000 to £185,000	**1**	**-**	**-**
1	-	-	£185,000 to £190,000	**-**	**-**	**-**
-	-	-	£300,000 to £305,000	**1**	**-**	**-**
312	214	137		**424**	**237**	**153**

Dorset County 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 Authority's published pay policy, information on certain other senior posts is also disclosed.

2017/18 Total	Post Holder Information	Salary (can include Redundancy)	Allowances	Pension Contributions	Total including Pension Contributions
£'000		£'000	£'000	£'000	£'000
	Chief Executive				
188	Previous Postholder	**278**	**-**	**24**	**302**
-	Current Postholder	**51**	**-**	**11**	**62**
	Director for Adult & Community Services				
-	Position currently vacant	**-**	**-**	**-**	**-**
	Corporate Director for Enviro & Economy				
150	Postholder left 30 November 2018 *(post currently vacant)*	**100**		**22**	**122**
	Director for Children's Services				
86	Position currently vacant	**-**	**-**	**-**	**-**
	Corporate Director of Public Health*				
147	Current Postholder (retired March 2019)	**123**	**-**	**28**	**151**
	Director of Dorset Waste partnership**				
108	Current postholder	**92**	**-**	**21**	**113**
679		**644**	**-**	**106**	**750**

* - this post are jointly funded by Dorset County Council, Bournemouth Borough Council and the Borough of Poole as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

** - this post is jointly funded by Dorset County Council, Weymouth & Portland Borough Council, West Dorset District Council, Christchurch Borough Council, East Dorset District Council, Purbeck District Council and North Dorset District Council as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

19. Exit packages & 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. Missing bands have no staff in them (eg £120,000 to £140,000).

Value of exit package	Compulsory redundancies 2018/19	Other 2018/19	Total cost £ 2018/19
Non-Schools			
Up to £20,000	17	27	**395,340**
£20,000 to £40,000	6	11	**510,385**
£40,000 to £60,000	1	2	**144,369**
£60,000 to £80,000	1	7	**541,870**
£80,000 to £100,000	-	5	**451,877**
£100,000 to £120,000	-	2	**222,018**
£180,000 to £200,000	-	1	**183,927**
£280,000 to £300,000	-	1	**297,920**
£300,000 to £320,000	-	1	**316,623**
£400,000 to £420,000	-	1	**413,327**
£660,000 to £680,000	-	1	**675,892**
	25	59	**4,153,548**
Schools			
Up to £20,000	10	21	**252,689**
£20,000 to £40,000	2	10	**300,398**
£40,000 to £60,000	-	2	**96,543**
	12	33	**649,630**
Total	37	92	**4,803,178**

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. No provision is made for these amounts in the 2018/19 accounts as the costs fall to the contingency budget in the year in which they are incurred.

Value of exit package	Redundancies	Total cost £000 2018/19
Up to £20,000	1	**2**
£60,000 to £80,000	2	**135**
	3	**137**

20. Audit fees

Fees payablee to Deloitte LLP, or previously KPMG LLP, for services carried out as the appointed Auditors were:

2017/18 £'000		**2018/19 £'000**
74	External Audit Services	**56**
6	Certification of grant/other claims	**4**
80		**60**

21. Interest

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

2017/18 £'000		**2018/19 £'000**
7,414	Interest payable on borrowings (as per I&E)	**7,348**
(87)	Interest receivable and investing income (as per I&E)	**(178)**
1,589	Interest payable on service concessions (PFI schemes)	**1,573**
266	Interest payable on finance leases (property)	**258**
337	Interest payable on finance leases (plant & equipment)	**287**
-	Interest receivable on finance leases (property)	**(7)**
9,519		**9,281**

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income & Expenditure Statement.

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. Intangible assets are computer software licences which have a useful economic life of more than one financial year. 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.

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2018	384,269	26,979	380,408	9,669	801,325	7,570	37,142	8,449	6,222	860,708
Additions	4,192	5,296	22,890	39	32,417	29	15,028	10	6	47,490
REFCUS Transfers to Revenue	0	0	0	0	0	0	(12,799)	0	0	(12,799)
Disposals	(33,929)	(3,074)	-	-	(37,003)	(4)	-	0	(5,942)	(42,949)
Revaluations	16,147	-	-	-	16,147	-	-	(114)	593	16,626
Transfers	(254)	3,562	12,266	85	15,659	87	(18,577)	(1,292)	4,123	-
Depreciation	(10,312)	(6,876)	(18,191)	-	(35,379)	(1,442)	-	292	-	(36,529)
Depreciation on assets sold	7,718	2,898	-	-	10,616	4	-	0	744	11,364
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	(4,262)	-	-	-	(4,262)	-	-	(1,116)	(87)	(5,465)
Net book value as at 31 March 2019	**363,569**	**28,785**	**397,373**	**9,793**	**799,520**	**6,244**	**20,794**	**6,229**	**5,659**	**838,446**
Asset Financing										
Owned	335,801	27,565	351,488	9,793	724,647	6,244	20,794	6,229	5,659	763,573
Leased	4,098	1,220	-	-	5,318	-	-	-	-	5,318
PFI	23,670	-	45,885	-	69,555	-	-	-	-	69,555
	363,569	**28,785**	**397,373**	**9,793**	**799,520**	**6,244**	**20,794**	**6,229**	**5,659**	**838,446**

Comparative (adjusted) movements for 2017/18 were as follows:

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2017	391,776	31,320	376,101	10,049	809,246	8,185	22,249	9,741	5,249	854,670
Additions	4,579	3,072	14,835	0	22,486	834	27,124	5	1	50,450
REFCUS Transfers to Revenue	-	-	-	-	-	-	(2,659)	-	-	(2,659)
Disposals	(14,160)	(957)	-	(380)	(15,497)	-	-	(737)	(5,075)	(21,309)
Revaluations	13,576	-	-	-	13,576	-	-	242	(25)	13,793
Transfers	(3,046)	253	7,508	0	4,715	194	(9,572)	(691)	5,354	-
Depreciation	(11,829)	(7,459)	(18,036)	-	(37,324)	(1,643)	-	300	-	(38,667)
Depreciation on assets sold	1,917	750	-	-	2,667	-	-	216	718	3,601
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	1,456	-	-	-	1,456	-	-	(627)	0	829
Net book value as at 31 March 2018	384,269	26,979	380,408	9,669	801,325	7,570	37,142	8,449	6,222	860,708
Asset Financing										
Owned	356,684	25,283	335,334	9,669	726,970	7,570	37,142	8,449	6,222	786,353
Leased	4,304	1,696	-	-	6,000	-	-	-	-	6,000
PFI	23,281	-	45,074	-	68,355	-	-	-	-	68,355
	384,269	26,979	380,408	9,669	801,325	7,570	37,142	8,449	6,222	860,708

23. Minimum Revenue Provision

This is a memorandum account, operated in accordance with the Local Government Act 2003 and the policy agreed by Members at the budget setting meeting, which requires an annual Minimum Revenue Provision of the previous year's Underlying Borrowing Requirement to be set aside. This summary of transactions within the Capital Adjustment Account is shown for information.

2017/18 £'000		2018/19 £'000
2,852	Minimum Revenue Provision	**9,646**
4,590	PFI Schemes	**5,396**
702	Finance Leases	**598**
1,776	DWP Financed Assets	**2,053**

24. Retirement benefits

The County 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 County 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 Movements 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 are included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movements in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2017/18 £'000		2018/19 £'000
52,942	Service Cost	**65,172**
19,641	Net interest on the defined liability (asset)	**17,011**
602	Administration expenses	**727**
(45,533)	Movement on Pensions Reserve	**(52,630)**
	Actual amount charged against council tax for pensions in the year	
(2,773)	Unfunded Pension Payments	**(2,780)**
(24,879)	Employer's contributions payable	**(27,500)**

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the County 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	2017/18 £'000		**% Assets**	**2018/19 £'000**
54%	491,780	Equities	**51%**	**480,768**
13%	119,122	Gilts	**13%**	**122,931**
1%	12,777	Cash	**3%**	**28,448**
7%	63,768	Other Bonds	**7%**	**67,186**
6%	55,006	Diversified Growth Fund	**6%**	**56,307**
		Absolute Return Portfolio		
10%	91,709	Property	**11%**	**103,419**
4%	32,836	Infrastructure	**4%**	**43,567**
n/a	n/a	Hedge Fund		
5%	42,815	Multi Asset Credit	**5%**	**44,891**
	909,813	Estimated Assets in County Council Fund		**947,517**
	1,569,631	Present value of scheme liabilities		**1,607,619**
	25,272	Present value of unfunded liabilities		**43,383**
	1,594,903	Total value of liabilities		**1,651,002**
	(685,090)	Net Pensions Asset / (Liability)		**(703,485)**

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 2016, 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 2019.

The main assumptions used in their calculations are: -

2017/18 % p.a.	2017/18 Real		**2018/19 % p.a.**	**2018/19 Real**
3.3%	0.0%	RPI inflation	**3.4%**	0.0%
2.3%	-1.0%	CPI inflation	**2.4%**	-1.0%
3.8%	0.5%	Rate of increase in salaries	**3.9%**	0.5%
2.3%	-1.0%	Rate of increase in pensions	**2.4%**	-1.0%
2.6%	-0.8%	Rate for discounting scheme liabilities	**2.4%**	-1.0%

NOTES TO THE FINANCIAL STATEMENTS

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: -

2017/18			2018/19	
Male	Female	Years	**Male**	**Female**
24.00	26.10	Retiring today	**22.90**	**24.80**
26.20	28.40	Retiring in 20 years	**24.60**	**26.60**

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

2017/18 £'000		**2018/19 £'000**
1,586,398	Opening defined benefit obligation	**1,594,903**
48,289	Current service cost	**68,190**
42,772	Interest cost	**40,171**
(78,541)	Change in financial assumptions	**77,176**
-	Change in demographic assumptions	**(93,395)**
24,158	Liabilities assumed/(extinguished) on settlements	**(8,491)**
(37,057)	Estimated benefits paid (net of transfers in)	**(37,580)**
1,587	Past service costs including curtailments	**2,715**
10,070	Contributions by scheme participants	**10,093**
(2,773)	Unfunded pension payments	**(2,780)**
1,594,903	Closing defined benefit obligation	**1,651,002**

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

2017/18 £'000		**2018/19 £'000**
848,228	Opening fair value of scheme assets	**909,813**
23,131	Interest on assets	**23,160**
20,072	Return on assets less interest	**18,016**
(602)	Administration expenses	**(727)**
27,652	Contributions by employer (including unfunded)	**30,280**
10,070	Contributions by scheme participants	**10,093**
(39,830)	Estimated benefits paid (net of transfers in and including unfunded)	**(40,360)**
21,092	Settlement prices received/(paid)	**(2,758)**
909,813	Fair value of scheme assets at end of period	**947,517**

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

2017/18 £'000		**2018/19 £'000**
(738,170)	Surplus / (Deficit) brought forward	**(685,090)**
(52,942)	Service Cost	**(65,172)**
27,652	Employer contributions	**30,280**
(602)	Administration expenses	**(727)**
(19,641)	Net interest on the defined liability (asset)	**(17,011)**
98,613	Actuarial Gain / (Loss)	**34,235**
(685,090)	Surplus / (Deficit) as at 31 March	**(703,485)**

The estimated employer contribution to the scheme for the period 1 April 2018 to 31 March 2019 is £27.423m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019.

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

In 2018/19 the County Council paid £11m to the TPA (16.48% of pensionable pay). The figures for 2017/18 were £11.7m (16.48% of pensionable pay). The cost of added years payments to ex-staff was £1.5m (£1.5m in 2017/18). 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 2018/19 the County 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 2018/19 the County Council paid contributions of £9.5k to NEST, being £9k at 2.0% of pensionable pay and £0.5k at 1.0% of pensionable pay.

DCC Group

Tricuro

The Local Government Pension Scheme (LGPS) for Tricuro staff, is administered by Dorset County Council. This is a funded scheme, meaning that the Tricuro and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is only open to employees that transferred from Dorset County Council, Bournemouth Borough Council and Poole Borough Council. The LGPS is closed to new entrants from the 1 April 2016. A new scheme has been introduced from 2016/17 for employees not eligible to join the LGPS. The assets and liabilities in relation to the staff that transferred on a fully funded basis on 1 July 2015. The company is responsible for all pension costs incurred post transfer and the three local authorities are responsible for all assets and liabilities in respect of pensionable service before that date.

SWAP

The Local Government Pension Scheme (LGPS) for SWAP staff, is administered by Peninsula Pensions (on behalf of Somerset County Council). This is a funded scheme, meaning that SWAP and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme closed to new entrants from 1 April 2018. A new scheme was introduced from 2018/19 for employees not eligible to join the LGPS.

25. Better Care Fund - Pooled Budgets for Health and Social Care

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.

The Council is a partner in the pan Dorset Better Care Fund which is owned by two Health and Wellbeing Boards:
• Dorset
• Bournemouth and Poole
Other partners are:
• NHS Dorset Clinical Commissioning Group,
• Bournemouth Borough Council, and
• Borough of Poole

The gross BCF spend under the Dorset Health & Wellbeing Board for the year was £139.788m.

The Council's contribution to the BCF was £75.649m.

Within the BCF, the County Council is in a partnership scheme with NHS Dorset CCG, Bournemouth Borough Council and the Borough of Poole under Section 75 of the Health Service Act 2006. The partnership commenced on the 1 April 2015 and Bournemouth Borough Council hosts the arrangement. The aim of the partnership is to provide a responsive equipment service including the support of intermediate care and reablement services. Details are shown in the following table: -

2017/18 £'000		**2018/19 £'000**
1,329	Expenditure	**1,429**
-	Income	**-**
1,329	Net DCC Contribution	**1,429**

26. Summary of capital expenditure and financing

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
		Adult & Community Services		
63		New Construction & Improvements (including REFCUS)	**611**	
380		Capital Repairs & Maintenance	**828**	
		ICT		
	443			**1,439**
		Cabinet/Whole Authority		
4,305		New Construction & Improvements (including REFCUS)	**1,032**	
528		Capital Repairs & Maintenance	**286**	
1,517		Corporate Fleet Vehicle Replacements	**771**	
3,754		ICT	**2,303**	
	10,104			**4,392**
		Children's Services		
13,488		New Construction & Improvements (including REFCUS)	**9,849**	
1,786		Capital Repairs & Maintenance	**2,697**	
38		ICT	**89**	
	15,312			**12,635**
		Environment & Economy		
27,637		Infrastructure Improvements (including REFCUS)	**32,063**	
348		Capital Repairs & Maintenance	**377**	
102		ICT	**102**	
	28,087			**32,542**
		Dorset Waste Partnership		
681		Infrastructure Improvements (including REFCUS)	**866**	
2,201		Plant & Vehicles	**1,790**	
5		ICT	**142**	
	2,887			**2,798**
	56,833	**Total Capital Expenditure**		**53,806**
		Sources of Finance		
8,991		Borrowing (internal & external)	**18,403**	
38,776		Grants	**24,846**	
2,887		Other Contributions	**2,381**	
1,930		PFI and leases	**2,291**	
728		RCCO	**254**	
3,521		Use of Capital Receipts	**5,631**	
	56,833	**Total Financing**		**53,806**

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 below, includes provision for this expenditure.

27. 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:

2017/18 £000s		**2018/19 £000s**
854,486	Property Plant & Equipment	**832,787**
6,222	Assets held for sale	**5,659**
860,708	Total Assets to be funded	**838,446**
(116,709)	Revaluation Reserve	**(118,998)**
(403,375)	Capital Adjustment Reserve	**(373,263)**
340,624	**Capital Financing Requirement 31 March**	**346,185**
(27,806)	Less Long Term PFI Liability	**(25,643)**
(7,055)	Less Obligations under Finance Leases	**(6,458)**
305,763	**Underlying Borrowing Requirement 31 March**	**314,084**

2017/18 £'000		**2018/19 £'000**
6,994	Effect on the underlying need to borrow	**8,321**
6,994		**8,321**

28. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2018/19 and earlier years, which were not completed by 31 March 2019. 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.

2017/18 £'000		2018/19 £'000
	Children's Services	
297	Pimperne Primary School replacement	275
144	Lulworth Primary	-
524	Bere Regis Primary replacement	-
785	Damers replacement	-
588	Highcliffe St Marks extension to 3FE	-
2,665	Twynham Primary new 2FE	865
698	St Osmunds extend to 6FE	200
925	Sherborne Abbey extension to 2FE	351
-	Wimborne Fiirst	6,020
-	Beaucroft Special School	1,095
	Adult & Community Services	
-	Weymouth Library (Living & Learning)	540
	Whole Authority	
4,594	Superfast Broadband	-
-	Ultrafast Broadband	3,900
	Environment & Economy	
3,574	Weymouth Relief Road	2,842
656	Dorchester Transport & Environment Plan	548
492	Dinah's Hollow	-
-	A350/C13 Route Strategy & Maintenance	356
6,334	Blackwater Interchange	-
1,776	Chapel Gate	-

29. Asset register

The following table analyses the numbers and values of major non-current assets owned by the Authority.

2017/18 No	2017/18 £'000		2018/19 No	2018/19 £'000	2018/19 £'000
42	7,570	**Intangible Assets**	43		6,244
		Operational Assets			
250	101,064	Land	238	89,564	
168	238,154	Buildings	138	230,526	
50	9,598	Farms - Land	47	8,756	
44	7,867	Farms - Buildings	42	6,955	
4	4,305	Leased buildings	4	4,098	
1	5,140	PFI Land	1	5,330	
1	18,141	PFI buildings	1	18,340	
					363,569
549	13,724	Vehicles	617	15,731	
21	1,362	Leased vehicles	17	(248,343)	
11	51	Plant	11	35	
287	719	Furniture & Fittings	287	805	
113	11,123	Equipment	131	260,557	
					28,785
2	380,408	**Infrastructure Assets**	2		397,373
23	9,669	**Community Assets**	23		9,793
		Non-Operational Assets			
622	37,142	Assets under construction	351	20,794	
23	8,449	Surplus Assets	16	6,229	
10	6,222	Assets held for sale (current assets)	7	5,659	
					32,682
2,221	860,708		1,976		838,446

The Balance Sheet does not include schools where ownership rests with the Diocese, or Foundation Schools and other schools that have subsequently transferred to Foundation status, as the premises remain under the control of each Foundation. Academy schools are not on the Balance Sheet, but the land remains the property of the Council.

In addition to the above, the Council owns a number of sites which are held pending development or disposal. It is also responsible for the following infrastructure assets. Unclassified Roads do not include unpaved roads or green lanes.

2017/18 Km		**2018/19 Km**
396	Principal Roads	396
1,535	Classified Roads	1,535
2,095	Unclassified Roads	2,095
4,026		**4,026**

30. Components

As noted elsewhere in this document, component accounting has been applied prospectively from 1 April 2010. A policy for assessing the Authority's assets for componentisation was developed with the Valuations & Estates Team in 2010/11. This looked at componentising over a six year period.

The depreciation included in the Comprehensive Income & Expenditure Statement on account of these components is £2,138k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £658k (2017/18 = £2,245k compared with £710k).

31. Heritage Assets

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

DHC holds the corporate archives of the three authorities along with second tier authorities and 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 DCC (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 PD5454 (Storage and Exhibition of Archival Material). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipecard 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. DCC'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.

32. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities that, amongst other things, governs the way in which surplus cash is invested. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed.

There were no temporary (i.e. less than one year) investments of surplus funds at 31 March 2019 (or at 31 March 2018). This is a direct result of the Council's Treasury Management strategy, driven by the continued gap between long term borrowing costs and short term investment returns, to use internal balances to avoid borrowing in advance of need where possible.

Joint ventures are also included as long term investments of £38k.

33. Long-term debtors

An analysis of amounts due to the Council at 31 March 2019, 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.

2017/18 £'000		**2018/19 £'000**
695	Other Local Authorities	**626**
-	Interest in Finance Leases	**220**
292	Interest in Operating Leases	**289**
3,419	Other	**3,502**
4,406		**4,637**

34. 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 25 earlier in this document) has been included.

2017/18 £'000	**Stocks**	**2018/19 £'000**
383	Highways and Transportation	**643**
77	Fuel Scheme	**62**
130	DWP Inventories	**197**
411	Community Equipment Store	**397**
4	Misc small stock items	**4**
1,005		**1,303**

35. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2019 is shown below.

2017/18			2018/19	
Debtors	Payments in advance		**Debtors**	**Payments in advance**
£'000	£'000		**£'000**	**£'000**
13,962	-	Central Government Departments	**14,785**	**-**
21,980	3	Other Local Authorities	**17,287**	**121**
1,487	-	Health	**2,735**	**-**
11,529	7,612	Other	**13,831**	**9,946**
48,958	7,615		**48,638**	**10,067**

Following the introduction of IFRS 15 as from 1 April 2018, amounts included in debtors for contract receivables are as follows:

2017/18		2018/19
£'000		**£'000**
2,103	**Adult & Community Services**	**683**
2,530	**Chief Executive's, Cabinet & Corporate**	**2,414**
870	**Children's Services**	**646**
989	**Environment & Economy**	**568**
174	**Partnerships**	**205**
6,666	**Total**	**4,516**

36. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £67.56m may fall due from the District Councils in Dorset in respect of Section 106 (of the Town and Country Planning Act 1990) planning 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.

37. 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 County Council had the following properties which met these criteria at the Balance Sheet date:

Property	**Use/Business Segment**	2017/18	**2018/19**
		£'000	**£'000**
Damers Road Store	Surplus	380	**-**
Christchurch Adult Learning Centre	Adult & Community Services	2,600	**2,600**
Brackenbury Infants School	Surplus	425	**-**
Bridport Local Office & St Andrews Pre School	Surplus	417	**424**
West End House (Greystones)	Surplus	475	**-**
Pippins Staff Training Centre	Surplus	325	**325**
Royal Manor Arts College Land	Surplus	1,600	**-**
Gillingham Adult Learning Centre	Surplus	-	**980**
Lulworth & Winfrith VC First Playing Field	Surplus	-	**330**
Mountjoy School	Surplus	-	**1,000**
		6,222	**5,659**

38. Cash and cash equivalents

Cash and cash equiavalents include balances held in same day notice interest earning accounts and money market funds as alternatives to temporary investments. The actual currrent account bank balance is managed on a daily basis and kept to very modest limits, usually less than £100k.

39. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2019 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2017/18			2018/19	
PWLB	Other		**PWLB**	**Other**
£'000	£'000	**Analysis of Loans by maturity**	**£'000**	**£'000**
900	45,000	**Short Term Borrowing** (less than 1 year)	**942**	**30,000**
942	-	Between 1 and 2 years	20,987	**-**
23,105	-	Between 2 and 5 years	2,117	**-**
10,000	-	Between 5 and 10 years	10,000	**-**
10,000	19,500	Between 10 and 15 years	10,000	19,500
31,816	-	Between 30 and 35 years	41,816	-
10,000	-	Between 35 and 40 years	**-**	-
-	15,000	Between 40 and 45 years	**-**	15,000
-	60,600	More than 45 years	**-**	60,600
85,863	95,100	**Long Term Borrowing**	**84,920**	**95,100**
125,554	223,655	**Fair Value of Borrowing**	**124,004**	**210,968**
3.96%	2.85%	Average rate of interest	**3.95%**	**3.19%**

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.

40. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2019 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.

2017/18			2018/19	
Creditors	Receipts in advance		**Creditors**	**Receipts in advance**
£'000	£'000		**£'000**	**£'000**
1,962	482	Central Government Departments	**1,440**	**560**
7,785	7,187	Other Local Authorities	**5,791**	**3,594**
45,245	8,840	Other	**49,170**	**11,538**
54,992	16,509		**56,401**	**15,692**

41. Provisions

The Council self-insures most of its insurance claims, funding these internally. Interest is earned on the balances held until they are required. 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 2019 are as follows:

	Balance 1 April 2018	Income	Payments and / or Transfers	**Balance 31 March 2019**
	£'000	£'000	£'000	**£'000**
Misc Provisions	74	236	237	**73**
Schools Reorganisations	400	5,119	2,566	**2,953**
CRC permits	-	-	-	**-**
General Insurance Provision	2,815	530	491	**2,854**
	3,289	**5,885**	**3,294**	**5,880**

Triggering of the Scheme of Arrangement for MMI

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business.

Since going into run-off in September 1992 numerous business and corporate disposals have taken place including the right to seek renewal of the larger part of MMI's direct personal and commercial lines insurance business to Zurich Insurance Company along with a number of MMI's assets and many members of its staff.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 (now 899 of the Companies Act 2006) which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. As a result, the Scheme of Arrangement was triggered and the Scheme Administrator, Gareth Hughes, has taken over the management of the business of the Company. Any queries in relation to the Scheme of Arrangement should be referred in the first instance to the Company at its registered office.

Following the triggering of the scheme, the Scheme Administrator conducted a financial review of the Company and concluded that a 15% levy would be necessary. For Dorset County Council, this was around £405k. Dorset County Council has met the initial levy request of £405k. In May 2016 notification was received that the levy has been raised to 25% and a further demand of £272k was received. The levy currently remains at 25%.

Following the updated Levy of 25% imposed on Scheme Creditors from 1April 2016 in accordance with the Levy Notices, the Company will continue to pay claims at 75% of the agreed settlement amount for affected Scheme Creditors, and pay claims at 100% for non-Scheme Creditor policyholders. It is anticipated that the current balance sheet deficit of £1.4 million will be eliminated by the end of the run-off period.

Solvency II came into force on 1 January 2016. The directors are confident that the Company will continue to meet its regulatory requirements in the future. On an annual basis the group will publish quantitative and qualitative information on Solvency II in a Solvency and Financial Condition Report (SFCR).

The Council currently has six historic claims with MMI holding reserves of 430k. The reserves have increased from £277k as at 31 March 2018 due to receipt of a further 3 historic abuse claims received during 2018/19.

The Insurance fund has a reserve in respect of a potential claw back by MMI and further claims totalling £2.4m.

42. 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.

43. Other long term liabilities

The Salix Fund was established with money advanced by a government agency, match-funded by DCC, to pay for carbon reduction measures in buildings. The fund is replenished from savings in energy costs in the early years of each project (after which, savings accrue to revenue budgets). The fund is available for ongoing reinvestment. However, should there be, at some stage, insufficient compliant schemes in which to invest, Government may require its advance to be repaid.

2017/18 £'000		**2018/19 £'000**
150	SALIX	**175**
150		**175**

44. Trust funds and bequests

The County 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 County Council as trustees and are summarised below.

	Balance 1 April 2018 £'000	Income £'000	Expenditure £'000	**Balance 31 March 2019 £'000**	Capital 31 March 2019 £'000
B Norwood Bequest	2	0	-	**2**	63
T Elliott Bequest	0	1	-	**1**	55
M Dorling Bequest	0	1	-	**1**	67
	2	**2**	**-**	**4**	**185**

45. 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.

2017/18 £'000		**2018/19 £'000**
404,669	Balance brought forward	**403,375**
(33,707)	Depreciation & Impairment	**(38,519)**
(9,451)	REFCUS	**(19,113)**
(3,635)	Net gains/(losses) on disposal of non-current assets	**(4,774)**
(7,613)	Net gains/(losses) on disposal of Academy assets	**(16,130)**
9,920	Minimum Revenue Provision	**17,693**
728	Capital Expenditure Charged to the General Fund	**254**
38,942	Release of Government Grant	**24,846**
3,522	Use of Capital Receipts	**5,631**
-	Transfer from revenue to fund capital expenditure	**-**
403,375	Balance carried forward	**373,263**

46. 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.

2017/18 £'000		**2018/19 £'000**
7,238	Balance brought forward	**8,152**
914	Movement in year	**(1,233)**
8,152	Balance carried forward	**6,919**

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.

2017/18 £'000		**2018/19 £'000**
(906)	Balance brought forward	**(337)**
569	Movement in year	**(53)**
(337)	Balance carried forward	**(390)**

47. 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.

2017/18 £'000			**2018/19 £'000**	
	(4,437)	Opening balance		**(4,641)**
4,437		Reverse previous year provision	**4,641**	
(4,641)		Current year provision	**(4,584)**	
	(204)	(Charge)/credit to I&E		**57**
	(4,641)	Closing balance		**(4,584)**

48. 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.

2017/18 £'000		**2018/19 £'000**
18,155	Balance brought forward	**29,235**
51,612	Receipts	**32,207**
19	Notional Interest	**56**
(38,942)	Transferred to Capital Adjustment Account	**(24,846)**
(1,609)	Adjusted to revenue reserves	**(2,499)**
29,235	Balance carried forward	**34,153**

49. Revaluation Reserve

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

2017/18 £'000		**2018/19 £'000**
113,658	Balance brought forward	**116,709**
13,793	Revaluation gains on property, plant & equipment	**16,626**
(4,280)	Charges for depreciation & Impairment of non-current assets	**(3,655)**
(2,990)	Net (gains)/losses on disposal of non-current assets	**(4,921)**
(3,472)	Net (gains)/losses on disposal of Academies	**(5,761)**
116,709	Balance carried forward	**118,998**

50. Financial Instrument Adjustment Account

Financial instruments arise from various types of loan contract or agreements. These activities give rise to a number of risks, including credit risk (debts might not be repaid); liquidity risk (having funds available to meet commitments); re-financing risk (disadvantageous timing for renewal); and market risk (interest rate movements). These topics are addressed in the annual Treasury Management report to the Cabinet.

2017/18 £'000		**2018/19 £'000**
1,621	Balance brought forward	**203**
(1,423)	Deferred Discount on early repayment of debt	**-**
5	Soft Loan Interest Adjustment	**11**
203	Balance carried forward	**214**

51. 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.

2017/18 £'000		2018/19 £'000
19	Balance brought forward	1,222
6,177	Net (gains)/losses on disposal of non-current assets	5,196
-	Usable Capital Receipts funding revenue income from finance leases	(7)
(3,522)	Use of Capital Receipts to finance new capital expenditure	(5,631)
(1,452)	Flexible use of capital receipts	(1,254)
-	Reclassifications between balances and Reserves	-
1,222	Balance carried forward	(474)

52. Earmarked Reserves

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

For revenue purposes	Balance 1 April 2018 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2019 £'000
(a) PFI Reserves	7,327	276	(943)	6,660
(b) Medium Term Financing	12,561	2,207	-	14,768
(c) Insurance Reserve	9,103	10,079	(10,120)	9,062
(d) Trading Account Reserves	477	975	(879)	573
(e) Innovation/transformation Fund	2,491	46	(2,132)	405
(f) Other Reserves	1,916	777	(1,781)	912
(g) Reserves from IFRS transition	20,280	14,897	(15,495)	19,682
Total Revenue Reserves	**54,155**	**29,257**	**(31,350)**	**52,062**

(a) PFI Reserve
This reserve is a sinking fund held for replacement furniture & equipment, and to cover additional costs of any future legislative changes.

(b) Medium Term Financing
This reserve is maintained to provide a mechanism to help balance the medium term financial strategy over a five year planning period.

(c) Insurance Reserve
This is in addition to the provision referred to above, to cater for any claims not covered by the provision.

(d) Trading Account Reserves
The balance held in this reserve incorporates the amount unapplied on the internal trading undertakings appropriation accounts.

(e) Innovation Fund
This reserve was set up to fund one-off expenditure that would deliver future savings.

(f) Other Reserves
Various reserves have been created, the main purposes of which are the replacement or purchase of items of plant or equipment, or to smooth the cost of building repair and maintenance across financial years.

(g) Reserves from IFRS transition
Various reserves were created as a result of transition to IFRS. This was because new treatment was required for grant/contribution income which was not yet spent, but for which the conditions of receiving the grant had been fulfilled. These reserves continue to be shown separately as they are purely for accounting requirements rather than reserves which the Authority has designated for specific purposes.

53. Movement in balances

Total balances decreased by £10.7m during the year to £5.3m. There is more information on reserves and balances in the Narrative Statement.

2017/18		2018/19				
		General	LMS*	Retained Schools	Capital	Total
£'000		£'000	£'000	£'000	£'000	£'000
16,751	Brought forward	18,466	3,548	(8,717)	2,626	15,923
3	Use in year	(4,855)	(3,548)	8,717	(2,626)	(2,312)
(831)	Additions/outturn	4,338	2,088	(14,768)	-	(8,342)
15,923	Carried Forward	17,949	2,088	(14,768)	-	5,269

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

54. Movement on the General Fund Balance

Amounts charged in the Comprehensive Income and Expenditure Statement now use essentially the same accounting conventions as private companies; ie International Financial Reporting Standards. The surplus or deficit on the Comprehensive Income and Expenditure Statement is the IFRS measure of a body's financial performance.

However, in determining a Local Authority's budget requirement and movement on the General Fund (and hence the level of Council Tax), there are other items which must be taken into account in accordance with statutory or non-statutory proper practices.

Amounts included in the Comprehensive Income and Expenditure Statement in accordance with IFRS, but which are excluded when determining the Movement on the General Fund are depreciation and impairment of non-current assets, deferred charges, the net gain or loss on the sale of non-current assets and adjustment to pensions costs in accordance with IAS19.

Amounts not included in the Comprehensive Income and Expenditure Statement, but which are required to be included when determining the Movement on the General Fund are the statutory provision for the repayment of debt, capital expenditure charged to the General Fund and any transfer to or from earmarked reserves. These additional amounts are included in the calculation of the Statement of Movement in Reserves, and summarised in the notes to the Expenditure and Funding Analysis.

Notes to the Cash Flow Statement

55. Movement in cash and cash equivalents

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	(828)	**Net surplus/(deficit) to General Fund**		**(10,654)**
		Movement in accruals items:-		
53		Long Term Debtors	**(231)**	
45		Stocks	**(298)**	
9,042		Debtors	**(2,132)**	
5,075		Creditors	**592**	
647		Provisions	**2,591**	
	14,862			**522**
		Movement in non-cash items :-		
(1,483)		Collection Fund Adjustment Account	**1,286**	
(2,520)		Earmarked Reserves	**(2,093)**	
1,204		Capital Receipts Reserve	**(1,696)**	
8,144		Other non-cash items	**(3,477)**	
	5,345			**(5,980)**
		Movement in financing items:-		
14,481		Short Term Borrowing	**(14,958)**	
(3,578)		Long Term Borrowing	**(3,678)**	
-		Short Term Lending	**-**	
-		Long Term Lending	**-**	
	10,903			**(18,636)**
	30,282	**Increase/(Decrease) in Cash**		**(34,748)**

56. Movement in net funds

Net funds are cash and other liquid resources (e.g. temporary investments), less borrowings.

	Balance 2017/18 £'000	Movement in year £'000	**Balance 2018/19 £'000**
Cash in hand and at bank	38,260	(34,748)	**3,512**
Temporary investments and borrowing	(45,900)	14,958	**(30,942)**
Leases, PFIs & Other	(35,011)	2,735	**(32,276)**
Long Term Investments	38	-	**38**
Long Term Borrowing	(180,963)	943	**(180,020)**
	(223,576)	(16,112)	**(239,688)**

57. Critical accounting judgements

In applying the accounting policies set out in this document, the Authority 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 County 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 main reason that the Council holds the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be property, plant and equipment assets. 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.

(ii) Lease classifications

The accounting treatment for operating and finance leases is significantly different and could have a material effect on the accounts. The Authority 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 planned introduction of IFRS 16 (the international financial reporting standard for leases) as from the 2020/21 financial year, to replace IAS17 (the international accounting standard for leases), means that the County Council will be required to treat both operating leases and finance leases consistently, and show both classes of lease on the balance sheet. This is likely to have a material impact on the value of assets reported on the Authority's balance sheet.

(iii) Providing for potential liabilities

The County Council has 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) Brexit

While the negotiations between Central Government and the EU continue, the position in relation to whether there will be a deal and the content of the proposed deal remains unclear. The Department for Exiting the European Union has been working with government departments across sectors including the Local Government (MHCLG), Department of Health and Social Care (DHSC) and DEFRA to determine the likely impact which could affect public services. From a local government perspective, there is a strong focus nationally and locally on understanding the potential impact on communities, particularly across the social care and health care systems. Dorset Council will need to continue to consider an impact assessment based on a hard or no deal scenario to understand the highest level of impact on the Council services, our residents, communities and business sectors. The focus of work to date has been around identifying the potential impacts of a Hard/ No Deal scenario, recording the potential risks and the development of action plans to mitigate risk and importantly ensure that the council can meet its statutory responsibilities. The assessment is reviewed and refreshed regularly to take account of updated national positions and guidance, the work of the Dorset LRF and regional level assessments.

58. Assumptions about future funding

2018/19 is the third year of the four-year funding settlement agreed with the Government. Whilst at the time of writing, the fourth year for the new Dorset Council and Bournemouth, Christchurch and Poole Council have been agreed, there is still uncertainty about funding for Local Government beyond 2019/20. In particular there are a number of initiatives in train, such as transition to 75% business rates retention, the fair funding review, Brexit and a Comprehensive Spending Review. While the general fund balance and earmarked reserves can provide a small buffer and/or a fund for invest to save measures for a range of efficiency initiatives, there is still no guarantee that council services can continue to be provided at their current levels. It is anticipated that local government reorganisation will provide a strategy and mechanisms for continuing to deliver services to residents whilst reducing overhead and support service costs.

An analysis of the County Council's general fund and other reserves is provided in the notes to these financial statements.

59. Sources of estimation uncertainty

The Financial Statements contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

There is one item in the Council's Balance Sheet at 31 March 2019 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 Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Authority discloses information about the fund elsewhere in this document.

1 INTRODUCTION

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

2 ACCOUNTING CONVENTIONS AND MEASUREMENT BASES

The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in accounting policies or notes, or where required by 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 and liabilities. The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

3 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 and 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.

4 CHANGE OF ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. 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 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors. 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.

6 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. Non-adjusting events are disclosed in the Financial Statements if 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.

7 FINANCIAL INSTRUMENTS

In accordance with IFRS 7 and IFRS 9, financial assets and financial liabilities are recognised in the Authority’s Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

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.

The Authority's financial liabilities are classified within the other creditor or liability headings as appropriate and disclosed within the notes to the Financial Statements.

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 or 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 cash flow characteristics.

There are three main classes of financial assets measured at:
- amortised cost
- fair value through profit or loss (FVTPL), and
- fair value through other comprehensive income (FVTOCI).

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 or Loss
Financial assets that are measured at FVTPL 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.

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.

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

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.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

Trade receivables
Trade receivables are recorded within debtors and payments in advance and included in the disclosure notes to the Financial Statements.

Investments
Investments are shown either as long-term investments or temporary investments in the Balance Sheet and analysed in the disclosure notes to the Financial Statements.

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.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account (though this itself is netted off within the receivables total). Changes in the carrying amount of the provision account are recognised in the Comprehensive Income and Expenditure Statement.

8 CONTINGENT LIABILITIES

In accordance with IAS 37, a contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority; or
(b) a present obligation that arises from past events but is not recognised because;
(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

9 AGENCY ACCOUNTING

Council Tax and Non-Domestic Rates (NDR) revenues are reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. The County Council also shows a share of the Billing Authorities' debtors and creditors for Council Tax and NDR, proportionate to the relative demand on the Collection Fund.

10 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 County 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.

11 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 County 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 from two to four 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.

12 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.

13 GRANTS AND THIRD PARTY CONTRIBUTIONS
All grants and contributions are realised in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled, in accordance with IAS 20. Capital grant is initially transferred to the Capital Grants Unapplied Account. When the associated capital expenditure has been incurred, the grant is transferred to the Capital Adjustment Account. Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

14 INTEREST
Interest receivable on temporary investments is reported in the Comprehensive Income and 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.

15 INVESTMENTS
The Authority holds no investments in companies or marketable securities. Short-term cash surpluses are invested with other Local Authorities, banks and building societies in accordance with the CIPFA Code on Treasury Management as detailed in the notes to the Financial Statements. Details of investments held by the Pension Fund are disclosed in the notes to the Pension Fund Financial Statements.

16 LEASES
In accordance with IAS 17, leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.

For operating leases where DCC is the lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement over the life of the lease on an accruals basis.

For finance leases where DCC is the lessee, at the start of the lease term, the Authority records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where Dorset County Council is the lessor, lease receipts are recognised as income in the Comprehensive Income and Expenditure Statement over the life of the lease on an accruals basis. Where Dorset County Council is the lessor for a finance lease, at the commencement of the lease term, the Authority records a finance lease in the Balance Sheet as a receivable, at an amount equal to the net investment in the lease.

The Authority recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2019/20 accounts.

17 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. Dorset County Council has no such arrangements in place.

18 PFI schemes

The County 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 Authority 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.

19 OVERHEADS (SUPPORT COSTS)

Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the Authority. The Service Reporting Code of Practice requires authorities to adopt consistent policies when allocating the costs of these services to users. These activities are fully allocated over all services on the basis of use. Time recording systems are operated by central support services to enable more accurate recharges of costs to customers. Charges for office accommodation are based on the floor area allocated to services. Other centrally provided services are recharged on the basis of actual usage, e.g. IT Services, or by direct charges to customers, e.g. printing.

Service level agreements defining the agreed quantity, cost and types of service to be provided for individual managers are also used in relation to the limited number of internal trading organisations operated by the Council. Contractual agreements have been established by a number of Directorates of the Authority to provide services to external customers.

20 PENSIONS

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.

21 PROVISIONS

In accordance with IAS 37, the County Council maintains provisions to meet liabilities arising from past events, where it is deemed that there will be a future obligation, but the timing and precise amount are uncertain. The adequacy of the County Council's provisions is reviewed annually. Provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.

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).

22 REDEMPTION OF DEBT

The County 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 in the Comprehensive Income and Expenditure Statement in each financial year as a Minimum Revenue Provision (MRP). Details are shown in the notes to the Financial Statements.

23 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.

24 INVENTORIES

In accordance with IAS 2, stocks and stores held at the year-end are valued at the lower of cost and net realisable value. Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

25 PROPERTY, PLANT AND 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 main assets will be classified as follows (RICS Valuation – Professional Standards UK 2014 (updated April 2015) – UK Appendix 5: 2.1):

Property, plant and equipment (PPE):
These assets form the majority of the County 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). The County Council holds no investment assets which fall to be valued in the 2019 valuation report.

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 County 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 to be used only where the asset is occupied by the Authority and which provides a service potential where an active market exists. 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.

Assets are revalued 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 2019 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 2018 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 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 2019 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 2019 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 County 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 2019 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 in-house by one or more RICS Accredited Scheme Valuers within the Estate and Assets Service, with a valuation date of 1 October, except County Farms which is 1 April.

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 County Council 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. More details of the Council's agreed use for capital receipts can be found in the January 2017 Cabinet report which is available at dorsetforyou.com.

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 and Expenditure section of the Comprehensive Income and Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

vii Depreciation
Tangible non-current asset depreciation is charged in the Comprehensive Income and Expenditure Statement where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties.

The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. Generally, vehicles and equipment are depreciated over periods of 2 to 10 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets. Infrastructure assets are treated on a pooled basis and are depreciated on a reducing balance basis.

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 has applied (prospectively) since 1 April 2010. 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 revalues a proportion of the Council's assets each year. A policy for assessing these assets for componentisation was developed with the Valuations & Estates Team in 2010/11. 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

DCC 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.

26 DONATED ASSETS

Donated assets, transferred to the Authority for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income and Expenditure Statement as income unless the transfer has a condition that the Authority has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income and 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.

27 VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT is recoverable from them.

28 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 County 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.

29 INVESTMENT PROPERTY

Investment property is defined by IAS 40 as property (land or a building, or part of a building, or both) held to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes, or

(b) sale in the ordinary course of operations.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

30 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, note 5 provides information about schools which achieved/plan to achieve Academy status in 2018/19 and 2019/20.

31 EMPLOYEE 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 IAS 19.

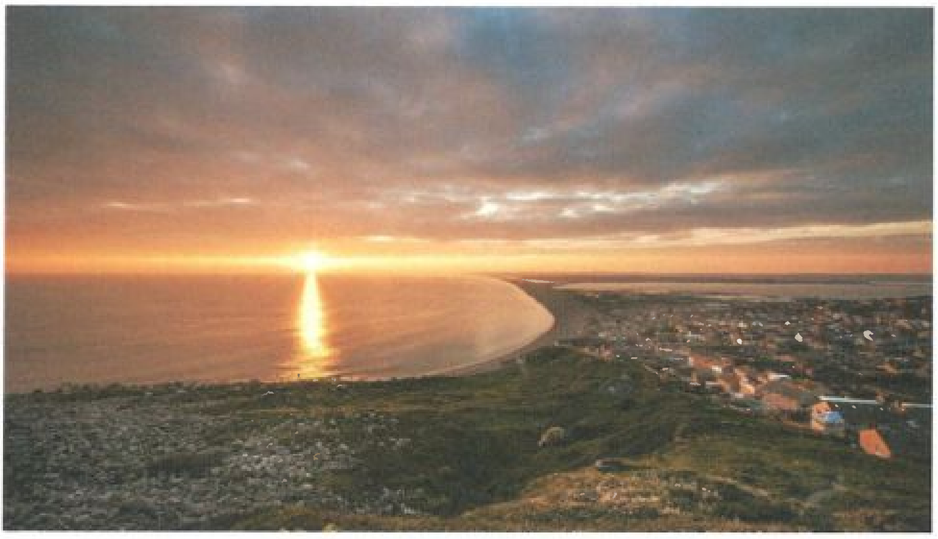
32 DCC GROUP – BASIS OF CONSOLIDATION

DCC Group Accounts have been produced using the Equity Method of consolidation. The DCC Group position is shown either in separate, or alongside the Authority only single-entity Financial Statements. Disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

33 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DCC GROUP ACCOUNTS

Accounting Policies of entities for which financial statements have been consolidated into the DCC Group Accounts are treated as below:
(a) the Accounting Policies of Tricuro Support Ltd joint venture are aligned where applicable with those of Dorset County Council.
(b) Consolidation of the South West Audit Partnership (SWAP) has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by SWAP.
(c) Consolidation of the TRICS Consortium Ltd has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by TRICS.
(d) Consolidation of the Dorset Development Partnership (DDP) has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by the DDP.

Annual Governance Statement 2018/19



Dorset County Council

Introduction and Acknowledgement of Responsibility

Dorset County 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.

March 2019

1. **The Principles of Good Governance**

The CIPFA/SOLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out below:

2. **Key Elements of the Council's Governance Framework**

The 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. 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, which includes arrangements for the management of risk.

The Council has reviewed its existing governance arrangements and has subsequently approved and adopted a local Code of Corporate Governance (The Code), which is consistent with the seven principles of Corporate Governance as set out in the CIPFA / SOLACE 2016 Framework Delivering Good Governance in Local Government.

The Governance Framework is comprised of the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it is accountable to, engages with and leads the community. It enables the

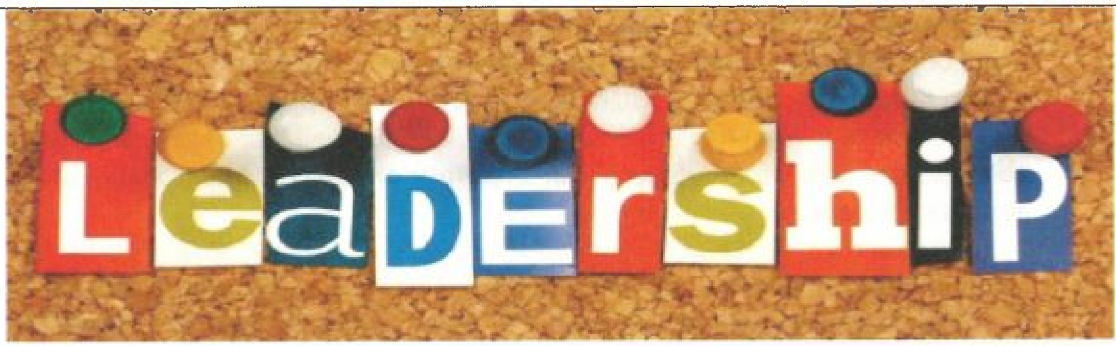
Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The process of review and monitoring of governance arrangements across the Council is an ongoing process with updates provided throughout the year to the Audit and Governance Committee.

The outputs from this process have also been a primary source of information for the preparation of this Annual Governance Statement (AGS). In addition, it has helped to inform the annual governance action plan that aims to support continuous improvement across the Council. 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.

Overview of the Council's Governance framework

Council, Cabinet and Leader Provide leadership, approve the budget, develop and set policy Approve the constitution which sets out how the council operates Agree Council Plan priorities, developed in consultation with residents and stakeholders	**Decision-making** All decisions made in compliance with law and council constitution All committee meetings are held in public, other than for exempt business Decisions are recorded on the council website
Scrutiny and review Overview & Scrutiny committees review council policy and can challenge decisions. The Audit & Governance Committee reviews governance and promotes and maintains high standards of conduct by councillors	**Risk Management** A risk management policy and strategy set out a clear approach to management of risks Risk registers identify strategic, operational and project risks



Corporate Leadership Team: Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective county organisation. The Chief Financial Officer is the council's Section 151 officer and is responsible for safeguarding the council's financial position and ensuring value for money. The Head of Organisational Development is the council's monitoring officer who is responsible for ensuring legality and promoting high standards of conduct in public life. Prior to transformation from Dorset County Council to Dorset Council and all relevant functions the Corporate Leadership Team comprised of Chief Executive, Director for Children's Services, Interim Director for Adults, Transformation lead for Adult and Community Services, Service Director for Organisational Design and acting Chief Financial Officer.

With most members of the team new in role, temporary, or short-term appointments there are additional risks being held and managed across the whole team, alongside LGR related activities and Brexit preparedness.

While the negotiations between Central Government and the EU continue, the position in relation to whether there will be a deal and the content of the proposed deal remains unclear. The Department for Exiting the European Union has been working with government departments across sectors including the Local Government (MHCLG), Department of Health and Social Care (DHSC) and DEFRA to determine the likely impact which could affect public services. From a local government perspective, there is a strong focus nationally and locally on understanding the potential impact on communities, particularly across the social care and health care systems. Dorset Council will need to continue to consider an impact assessment based on a hard or no deal scenario to understand the highest level of impact on the Council services, our residents, communities and business sectors. The focus of work to date has been around identifying the potential impacts of a Hard/ No Deal scenario, recording the potential risks and the development of action plans to mitigate risk and importantly ensure that the council can meet its statutory responsibilities. The assessment is reviewed and refreshed regularly to take account of updated national positions and guidance, the work of the Dorset LRF and regional level assessments. Key areas of focus to date have been:

- Social Care – Children's and Adults
- Regulatory Services – Trading Standards, Waste Management
- Highways and Infrastructure
- Transport
- Communities – Community Safety and community cohesion
- Economy & Environmental
- Council Operations and on-going engagement with Public Health to identify any medium/longer areas

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. The Audit and Governance committee, Overview and Scrutiny committees and its sub-committees scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the council and its partners. The council's overall policy is represented through the outcomes framework and corporate plan, which is developed alongside the budget through consultation with residents and other stakeholders in the county, and which sets out how the vision will be delivered.

Performance against the corporate plan is monitored throughout the year. Progress is reviewed quarterly by members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

The performance management process helps to identify learning and development needs, which are translated into personal development review plans for staff. Members are also offered development opportunities, in line with their own personal development plans.

The council provides a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

Our behaviours

The council has a whistleblowing policy, which encourages staff 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 members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority.

These standards are defined and communicated through codes of conduct, protocols and other documents.

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 has statutory responsibility for the proper management of the council's finances and is a key member of the county 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). The council's Risk Management Policy and Strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision-making.

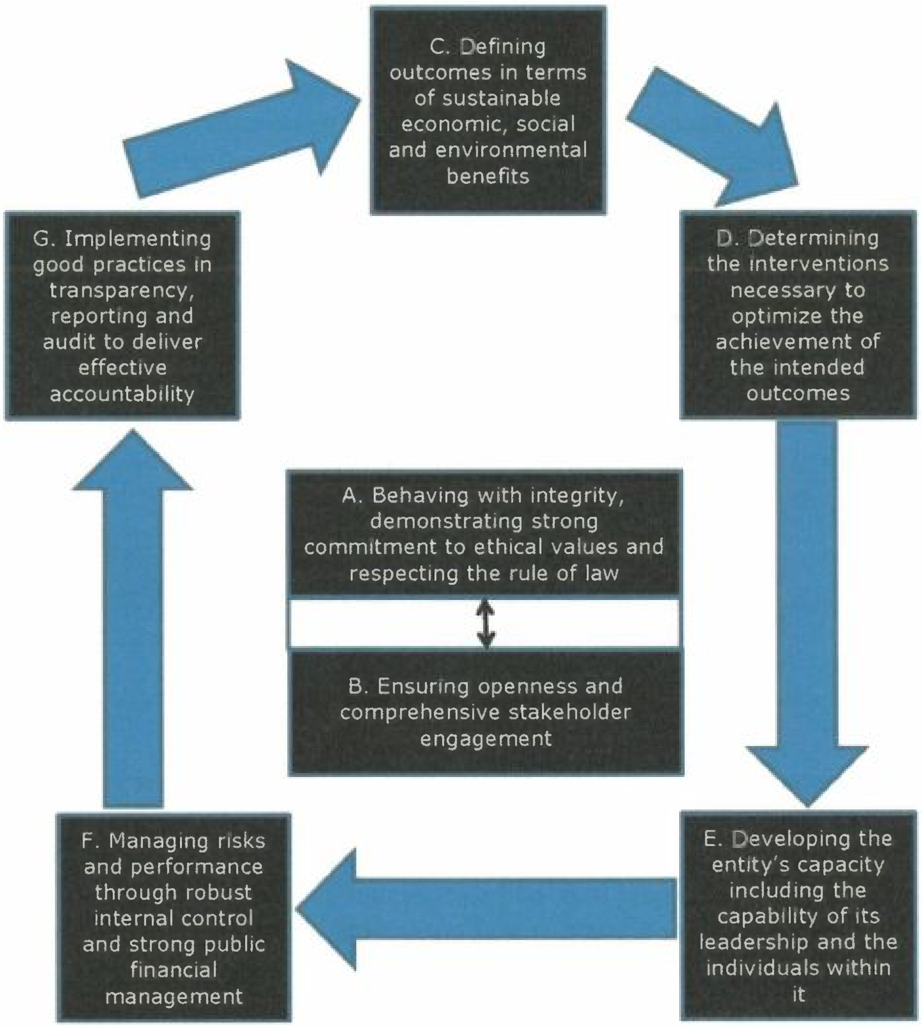
When risks are identified, an agreement takes place on how they will be managed and mitigated and keep the council's risk profile under review and satisfied that management's systems include appropriate controls, and that it has adequate sources of assurance.

The council recognises the importance for risk management / internal control for the determination of the extent of the risks it is willing to take to achieve its objectives, priorities and outcomes to ensure that an appropriate culture has been embedded. It is also 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. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's legal services and procurement teams ensure that all are fit for purpose and the council's interests are protected.

3. Review of Effectiveness

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. It must ensure it has arrangements for the proper governance of its affairs the effective exercise of its functions. 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. A framework of good governance allows the Council to be clear about how it discharges its responsibilities and to show this for members, partners, stakeholders 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. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. Effectiveness is maintained by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment. The effectiveness of the framework is monitored and assured through routine performance monitoring and by internal and external audit and other review agencies and inspectorates. The key elements of the review of effectiveness are:

- The council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process

- 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

- Corporate, Services 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)

4. Assurance Statement

Having reviewed the council arrangements the work, as detailed above, provides good overall assurance of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

$$\boxed{\text{Effectiveness} = \frac{\text{Achieved}}{\text{Desired}}}$$

5. Issues, actions and improvements undertaken since previous Annual Governance Statement

Identified Issue	Action / Improvement	Met
Progress the diversity and inclusion action plan	Cabinet approved a new Dorset Equality Scheme in 2018-19 on 23 May 2018	G
Centralise communication consultation and engagement functions	New centralised communication team established, within the business improvement service	G
Review of the council operating model	This work was not carried out, due to Local Government Reorganisation	R
Better alignment of finances with outcomes framework and centralisation of data, intelligence and performing functions	A centralised intelligence, insight and performance function was established. Value for money continues to be an area for focus and is again recognised in our improvement plan	A
Improve frequency and effectiveness of our people and well-being corporate working group	This corporate working group was disbanded, pending review under governance arrangements for Dorset Council	R
General Data Protection regulations compliance	Improvement action plan completed and signed off by the Risk and Assurance Group	G

6. How can we improve?

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 2019/20 as we transition into the new Dorset Council.

- **Ensuring that any significant risks identified by Dorset County Council are recognised and responded to by new Dorset Council.**

- **We wish to be better at aligning our finances without outcomes framework. Value for money continues to be an area of focus.**

7. Approval of the Annual Governance Statement 2018/19

The council is satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset County Council and that appropriate arrangements are in place to address improvements in our review of compliance.

Progress on these improvements and on addressing and mitigating the risks will be monitored through the year by senior officers and elected members of the new Dorset Council.

Signed:

Matt Prosser
Chief Executive, Dorset Council

Signed:

Spencer Flower
Leader of Dorset Council

The Annual Governance Statement was informed by:

- The Local Code of Corporate Governance
- High Corporate Risks

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF DORSET COUNTY PENSION FUND.

Opinion

In our opinion the pension fund financial statements of Dorset County Council (the 'pension fund'):

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets;
- the statement of accounting policies; and
- the related notes 1 to 22.

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 2018/19.

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 County 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 2018/19, 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. This description forms part of our auditor's report.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to the Pension Fund Annual Report not being prepared by the 31 July 2019.
We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Council with the pension fund accounts included in the financial statements of Dorset County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the Authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

USE OF OUR REPORT
This report is made solely to the members of Dorset County 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.

I C Howse

Ian Howse (Appointed auditor)
For and on behalf of Deloitte LLP
Cardiff, UK
31 July 2019

2017/18		FUND ACCOUNT		2018/19	
£'000	**£'000**		***Note***	**£'000**	**£'000**
		Dealings with members, employers and others directly involved in the Fund			
	119,537	**Contributions**	*7*		**122,212**
92,166		Employer contributions		94,290	
27,371		Member contributions		27,922	
	8,615	**Transfers in from other pension funds**	*8*		**5,938**
	128,152	**Total additions from dealing with members etc.**			**128,150**
	(113,223)	**Benefits**	*9*		**(120,112)**
(92,186)		Pensions		(98,737)	
(18,989)		Commutations and retirement grants		(17,771)	
(2,048)		Death benefits		(3,604)	
	(6,688)	**Payments to and on account of leavers**			**(5,700)**
(340)		Refunds of contributions		(296)	
(111)		State scheme premiums		-	
(6,237)		Transfers to other pension funds		(5,404)	
	8,241	**Net additions/(withdrawals) from dealings with members and others**			**2,338**
	(13,654)	**Management expenses**	*10*		**(14,345)**
	(5,413)	**Net additions/(withdrawals) including Fund management expenses**			**(12,007)**
	48,919	**Investment Income**	*11*		**30,533**
37,265		Dividends from equities		18,693	
10,908		Rents from properties		10,439	
942		Income from property funds		1,109	
134		Interest on cash deposits		481	
184		Other investment income		71	
(514)		Taxes on income		(260)	
	88,715	**Profit/(loss) on disposal of investments and changes in the value of investments**			**143,208**
	137,634	**Net return on investments**			**173,741**
	132,221	**Net increase/(decrease) in assets available for benefits during the year**			**161,734**
	2,735,997	**Opening net assets of the fund 1 April**			**2,868,218**
	2,868,218	**Closing net assets of the fund 31 March**			**3,029,952**

NET ASSETS STATEMENT

31 March 2018 £'000	31 March 2018 £'000		Note	31 March 2019 £'000	31 March 2019 £'000
	840	**Long term investments**	*12*		**395**
840		Brunel Pension Partnership Ltd		395	
	2,860,059	**Investment assets**	*13*		**3,025,386**
448,550		UK equities (quoted)		29,469	
644,160		Overseas equities (quoted)		421,913	
1,388,985		Pooled investment vehicles		2,104,713	
76,486		Private equity		80,275	
255,830		Property		281,480	
39,995		Cash & cash equivalents		103,022	
920		Derivative contracts		733	
5,133		Other investment assets		3,781	
	(3,778)	**Investment liabilities**	*13*		**(1,686)**
(3,778)		Other investment liabilities		(1,686)	
	2,857,121	**Total net investments**	*13*		**3,024,095**
	2,895	**Long term debtors**			**1,930**
2,895		Other long term debtors		1,930	
	12,249	**Current assets**			**12,911**
7,554		Contributions due from employers		8,689	
4,695		Other current assets		4,222	
	(4,047)	**Current liabilities**			**(8,984)**
(229)		Unpaid benefits		(534)	
(3,818)		Other current liabilities		(8,330)	
-		Deferred income		(120)	
	2,868,218	**Net assets available to fund benefits**			**3,029,952**

NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and was administered by Dorset County Council ("the Council") up to 31 March 2019. Following reorganisation of local government in Dorset, Dorset Council became the administering authority for the Fund from 1 April 2019.

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 Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as
- the Local Government Pension Scheme (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:

31 March 2018		31 March 2019
291	**Total Employers**	**297**
	Employees	
6,872	Administering Authority	6,488
18,426	Other Scheduled Bodies	18,052
573	Admitted Bodies	528
25,871	**Total Employees**	**25,068**
	Pensioners	
8,319	Administering Authority	8,639
11,608	Other Scheduled Bodies	12,155
1,290	Admitted Bodies	1,341
21,217	**Total Pensioners**	**22,135**
	Deferred Pensioners	
8,950	Administering Authority	8,950
13,644	Other Scheduled Bodies	13,746
1,269	Admitted Bodies	1,234
23,863	**Total Deferred Pensioners**	**23,930**
2,218	'Undecided' members	4,105
73,169	**Total Members**	**75,238**

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 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 9.5% to 26.6% 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.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2018/19 financial year and its financial position at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 2018/19.

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.

The accounts have been prepared on a going concern basis.

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 longterm 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.

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, 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.

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. From this date any gains or losses 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 16). 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 16 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 amortised cost, ie the 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 party to the 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 at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged 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 20.

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 has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that 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 22).

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 18. 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 property 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 IAS 7 and 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 19)

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 is engaged to provide the fund with expert advice about the assumptions to be applied.

Private equity investments (Note 16)

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). 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 16)

Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.

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).

Brexit

On 10 April 2019 European Union (EU) leaders agreed to an extension of article 50, which may delay the date the UK will exit the EU until 31 October 2019. The terms of a final exit agreement are still to be agreed, but it is expected that this will have short and long term implications for the Fund's assets and liabilities.

NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2017/18		2018/19
£'000	**Employer contributions**	£'000
66,550	Contributions re future service costs	68,282
18,771	Contributions re past service costs (deficit recovery)	22,325
76	Voluntary additional contributions	101
3,562	Augmentation cost of early retirements	3,575
3,207	Exit payments from employers	-
-	Exit credits to employers	7
92,166	**Total employer contributions**	**94,290**
27,371	**Member contributions**	**27,922**
119,537	**Total contributions receivable**	**122,212**

By type of employer:

2017/18		2018/19
£'000		£'000
32,547	Administering authority	35,391
79,464	Other scheduled bodies	83,016
7,526	Admitted bodies	3,805
119,537	**Total contributions receivable**	**122,212**

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 2018-19.

NOTE 9. BENEFITS PAYABLE

By type of employer:

2017/18		2018/19
£'000		£'000
37,408	Administering authority	40,151
67,824	Other scheduled bodies	72,131
7,991	Admitted bodies	7,830
113,223	**Total benefits payable**	**120,112**

NOTE 10. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2017/18		2018/19
£'000		£'000
1,775	Administrative expenses	1,745
532	Oversight and governance costs	609
11,347	Investment management expenses	11,991
13,654	**Total management expenses**	**14,345**

Investment management expenses consisted of:

2017/18		2018/19
£'000		£'000
9,306	Investment management fees	10,002
442	Performance related fees	282
218	Custody fees	123
440	Transaction costs	771
941	Other fees and costs	813
11,347	**Total investment management expenses**	**11,991**

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 11. INVESTMENT INCOME

Rents from properties are shown net of operating expenses of £1,152k in 2018-19 (£734k in 2017-18).

The Fund lends UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £71k. The value of stock on loan as at 31 March 2019 was £13.5M secured by total collateral worth £14.4M.

NOTE 12. 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 Fund's shareholding in Brunel was valued at cost at 31 March 2018. The value of each fund's shareholding based on Brunel's most recently audited accounts was £395k, and the value of the Fund's shareholding has been impaired (adjusted downwards) to reflect this.

NOTE 13. INVESTMENTS

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

31 March 2018			31 March 2019	
Market Value		Portfolio / Manager / Pooled Vehicle	Market Value	
%	£'000		£'000	%
0.00%	**840**	**Long Term Investments**	**395**	**0.00%**
	840	Brunel Pensions Partnership	395	
15.70%	**448,550**	**UK Equities - Quoted**	**29,469**	**1.00%**
	401,402	Dorset County Council	-	
	16,771	Allianz	-	
	14,586	Investec	14,932	
	15,791	Wellington	14,537	
22.50%	**644,160**	**Overseas Equities - Quoted**	**421,913**	**14.00%**
	265,107	Allianz	-	
	181,341	Investec	200,402	
	197,712	Wellington	221,511	
2.70%	**76,486**	**Private Equity**	**80,275**	**2.70%**
	41,438	HarbourVest	46,925	
	35,048	Aberdeen Standard	32,091	
	-	Capital Dynamics Global Secondary Fund V	1,259	
9.00%	**255,830**	**Property (directly owned)**	**281,480**	**9.30%**
	255,830	CBRE Global Investors	281,480	
		Pooled Investment Vehicles:		
7.20%	**204,504**	**Bonds**	**214,353**	**7.10%**
	204,504	RLAM / Unit Linked Inv Fund - Life Policy	214,353	
8.60%	**245,842**	**UK Equities - Quoted**	**613,642**	**20.20%**
	190,746	AXA Framlington / Unit Trust	-	
	55,096	Schroders / Unit Trust	52,033	
	-	LGIM (passive UK)	374,013	
	-	Brunel (active UK)	187,596	
3.60%	**103,281**	**Overseas Equities - Quoted**	**379,228**	**12.50%**
	103,281	JP Morgan / Unit Trust	98,177	
	-	LGIM (passive smart beta)	281,051	
4.80%	**136,206**	**Multi Asset Credit (MAC)**	**139,717**	**4.60%**
	136,206	CQS	139,717	
1.40%	**39,547**	**Property**	**41,792**	**1.40%**
	8,897	Lend Lease Retail Partnership	8,255	
	14,577	Standard Life UK Shopping Centre Trust	13,415	
	16,073	UK Long Income Property Fund	17,183	
	-	Aberdeen Standard Long Lease Property Fund	2,939	
6.10%	**173,342**	**Diversified Growth Funds**	**176,110**	**5.80%**
	173,342	Barings Asset Management / Non UCITS (PIF)	176,110	
3.70%	**106,545**	**Infrastructure**	**138,742**	**4.60%**
	32,964	Hermes GPE / Infrastructure Fund	51,897	
	73,581	IFM / Global Infrastucture Fund	86,845	
13.30%	**379,718**	**Liability Driven Investment**	**401,129**	**13.30%**
	379,718	Insight / LDI Active 16 Fund	401,129	
48.70%	**1,388,985**	**Total - Pooled Investments**	**2,104,713**	**69.50%**
1.40%	**39,995**	**Cash & Cash Equivalents**	**103,022**	**3.40%**
0.00%	**920**	**Derivatives**	**733**	**0.00%**
0.00%	**1,355**	**Investment Receivables/(Payables)**	**2,095**	**0.10%**
100.00%	**2,857,121**	**Total Investments**	**3,024,095**	**100.00%**

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.

NOTE 14. 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.

	Value 1 April 2018 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2019 £'000
Equities - Unquoted	840	-	-	(445)	395
Equities - Quoted	1,092,710	361,201	(1,093,014)	90,485	451,382
Pooled Investment Vehicles	1,388,985	1,343,933	(685,171)	56,966	2,104,713
Private Equity	76,486	40,297	(53,046)	16,538	80,275
Property	255,830	23,622	(1,387)	3,415	281,480
Total Securities	**2,814,851**	**1,769,053**	**(1,832,618)**	**166,959**	**2,918,245**
Forward Foreign Exchange	920	29,532	(5,968)	(23,751)	733
Total Securities and Derivatives	**2,815,771**	**1,798,585**	**(1,838,586)**	**143,208**	**2,918,978**
Other Investment Balances:					
Cash & cash equivalents	39,995	-	-	-	**103,022**
Other investment assets	5,133	-	-	-	**3,781**
Other investment liabilities	(3,778)	-	-	-	**(1,686)**
Net Investment Assets	**2,857,121**	**1,798,585**	**(1,838,586)**	**143,208**	**3,024,095**

NOTE 15. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or exposures to reduce risk. To maintain appropriate diversification a significanct 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 the portfolios managed by the Fund's global equties managers, Investec Asset Management and Wellington Management. As at 31 March 2019, 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	22,143	EUR	25,461	144	-
	GBP	153,122	USD	199,519	596	-
	JPY	40,938	GBP	284	-	-
	GBP	13,455	JPY	1,937,315	-	(7)
Open Forward Currency Contracts at 31 March 2019					**740**	**(7)**
Net Forward Currency Contracts at 31 March 2019						**733**

NOTE 16. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. 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 form unadjusted quoted prices in active markets for identical assets;

Level 2: where 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 valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2019 and at 31 March 2018 measured at fair value according to the above fair value hierarchy.

31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	29,469	-	-	29,469
Overseas equities - Quoted	421,913	-	-	421,913
Pooled Investment Vehicles	-	1,927,120	177,593	2,104,713
Private Equity	-	-	80,275	80,275
Property	-	-	281,480	281,480
Cash & Cash Equivalents	103,022	-	-	103,022
Derivatives	733	-	-	733
Other investment assets	3,781	-	-	3,781
Total	**558,918**	**1,927,120**	**539,348**	**3,025,386**

31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	448,550	-	-	448,550
Overseas equities - Quoted	644,160	-	-	644,160
Pooled Investment Vehicles	-	1,242,893	146,092	1,388,985
Private Equity	-	-	76,486	76,486
Property	-	-	255,830	255,830
Cash & Cash Equivalents	39,995	-	-	39,995
Derivatives	920	-	-	920
Other investment assets	5,133	-	-	5,133
Total	**1,138,758**	**1,242,893**	**478,408**	**2,860,059**

During the year ended 31 March 2019 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
Level 1:			
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.
Level 2:			
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.
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.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	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	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

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has deternined 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 2019.

	Valuation range (+/-)	Value at 31 March 2019 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	10.00%	177,593	195,352	159,834
Private Equity	15.00%	80,275	92,316	68,234
Property	10.00%	281,480	309,628	253,332
Total		**539,348**	**597,296**	**481,400**

NOTE 17. 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 resulting from general market 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, and by gaining exposure to different markets through different investment managers. 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 its issuer 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 temporary investments and cash deposits.

As at 31 March 2019	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	29,469	15.00%	4,420	(4,420)
Overseas equities - quoted	421,913	15.00%	63,287	(63,287)
Pooled Investment Vehicles	2,104,713	15.00%	315,707	(315,707)
Private Equity	80,275	15.00%	12,041	(12,041)
Property	281,480	15.00%	42,222	(42,222)
Cash & cash equivalents	103,022	0.00%	-	-
Derivatives	733	15.00%	110	(110)
Other investment assets	3,781	0.00%	-	-
Total	**3,025,386**	**14.47%**	**437,787**	**(437,787)**

As at 31 March 2018	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	448,550	15.00%	67,283	(67,283)
Overseas equities - Quoted	644,160	15.00%	96,624	(96,624)
Pooled Investment Vehicles	1,388,985	15.00%	208,348	(208,348)
Private Equity	76,486	15.00%	11,473	(11,473)
Property	255,830	15.00%	38,375	(38,375)
Cash & cash equivalents	39,995	0.00%	-	-
Derivatives	920	15.00%	138	(138)
Other investment assets	5,133	0.00%	-	-
Total	**2,860,059**	**14.76%**	**422,241**	**(422,241)**

(a) (ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate movements on those investments at 31 March 2019 and 2018 are provided below, based on underlying financial assets at fair value.

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2018.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2019	Market Value £'000	Change in net assets +1% £'000	Change in net assets -1% £'000
Cash & cash equivalents	103,022	1,030	(1,030)
Assets held in pooled investment vehicles:			
Bonds	214,353	2,144	(2,144)
Multi Asset Credit (MAC)	139,717	1,397	(1,397)
Liability Driven Investment (LDI)	401,129	4,011	(4,011)
Total	**858,221**	**8,582**	**(8,582)**

As at 31 March 2018	Market Value £'000	Change in net assets +1% £'000	Change in net assets -1% £'000
Cash & cash equivalents	39,995	400	(400)
Assets held in pooled investment vehicles:			
Bonds	204,504	2,045	(2,045)
Multi Asset Credit (MAC)	136,206	1,362	(1,362)
Liability Driven Investment (LDI)	379,718	3,797	(3,797)
Total	**760,423**	**7,604**	**(7,604)**

(a) (iii) Currency Risk

Currency risk represents the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets that are not denominated in UK sterling.

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 Smart Beta fund are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exhange rates to be +/- 10% 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 2019	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Overseas equities - quoted	421,913	210,957	21,096
Pooled Investment Vehicles	781,900	641,375	64,137
Private Equity	80,275	80,275	8,028
Total	**1,284,088**	**932,606**	**93,261**

As at 31 March 2018	Total	Unhedged	Potential
	£'000	£'000	£'000
Overseas equities - quoted	644,160	322,080	32,208
Pooled Investment Vehicles	486,410	486,410	48,641
Private Equity	76,486	76,486	7,649
Total	**1,207,056**	**884,976**	**88,498**

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of temporary investments and bonds held in pooled investment vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

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, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2019 is the carrying amount of the financial assets.

Investment	31 March 2019 £'000	31 March 2018 £'000
Bank Account Deposits	44,572	2,895
Money Market Funds	58,450	37,100
Assets held in pooled investment vehicles:		
Bonds	214,353	204,504
Multi Asset Credit (MAC)	139,717	136,206
Liability Driven Investment (LDI)	401,129	379,718
Total	**858,221**	**760,423**

(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

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 2019, liquid assets were £2,486M representing 82% of total net assets (£2,381M at 31 March 2018 representing 83% of total net assets at that date).

NOTE 18. 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 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2019 were set at the latest valuation calculated as at 31 March 2016. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017/18	2018/19	2019/20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
Total employer contributions	**20.00%**	**20.70%**	**21.40%**

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 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period was reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 and 2013 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.

	Valuation 2016	**Valuation 2013**
Annual rate of return on investments	5.40%	6.00%
Annual rate of increases in pay (long term)	3.90%	4.20%
Annual rate of increases in pay (short term)	2.40%	2.70%
Annual rate of increases to pensions in payment	2.40%	2.70%

NOTE 19. 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, using the same base data as the funding valuation rolled forward to the current financial year, taking account of 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 2019 is set out in Appendix D Pension Fund - IAS 26 Disclosures to these financial statements 2018/19.

NOTE 20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council administers an in-house AVC Scheme with two designated providers, Prudential and 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 County Council as employer deducted and paid to the AVC providers a total of £352k in 2018/19 (£321k in 2017/18).

NOTE 21. 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 2019 contributions of £2.6M were accrued as at 31 March 2019. Management and administration costs of £1.9M were incurred by the Council and recharged to the Fund in 2018/19. 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 2019, 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 and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.9M recharge from the Council includes a charge of £19,000 for the Fund Administrator's time spent working for the Fund.

NOTE 22. 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 2019 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 therefore 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, however, considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department’s (GAD) has 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 has therefore 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.

Dorset County Pension Fund

Pension accounting disclosure as at 31 March 2019

Prepared in accordance with IAS26

Barnett Waddingham LLP

8 May 2019

Contents

Introduction

We have been instructed by Dorset County 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 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report supersedes Version 1 of the 31 March 2019 IAS26 issued to the administering authority (dated 26 April 2019). The results provided in this revised report reflects updated Fund asset and cashflow data as requested.

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.

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.

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. We continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided to funds.

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 County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2018 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 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 2016.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	26,402	419,329	46
Deferred pensioners	27,749	30,926	46
Pensioners	18,673	85,599	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 2019.

We have been notified of 116 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 £986,600.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 6%. 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 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	1,524,923	50%	1,518,319	53%
Liability Driven Investment	401,129	13%	379,717	13%
Cash	112,240	4%	53,367	2%
Other Bonds	214,353	7%	204,505	7%
Diversified Growth Fund	176,110	6%	173,342	6%
Property	323,272	11%	295,377	10%
Infrastructure	138,742	5%	106,545	4%
Multi Asset Credit	139,717	5%	136,206	5%
Total	**3,030,486**	**100%**	**2,867,378**	**100%**

The total asset value as at 31 March 2019 is slightly lower than in Version 1 of the report, reflecting the revised data provided.

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2019 is likely to 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 2019, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, 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 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 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.

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 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction 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 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

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

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_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 3.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2019	31 Mar 2018
Retiring today			
	Males	22.9	24.0
	Females	24.8	26.1
Retiring in 20 years			
	Males	24.6	26.2
	Females	26.6	28.4

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- 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 2019**	**31 Mar 2018**	**31 Mar 2017**
	% p.a.	**% p.a.**	**% p.a.**
Discount rate	2.40%	2.55%	2.80%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.90%	3.80%	4.20%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Fund's past service liability duration is 20 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.

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 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The cost assessed is only in relation to those that affect the pension liabilities in the Fund.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 116 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £4,614,000. This figure has been included within the service cost in the statement of profit or loss.

Results and disclosures

We estimate that the net liability as at 31 March 2019 is a liability of £2,028,157,000.

The net liability is slightly higher, reflecting the lower value of Fund assets now estimated as at 31 March 2019.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2019;
- 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 2019

Net pension asset as at	31 Mar 2019 £000s	31 Mar 2018 £000s	31 Mar 2017 £000s
Present value of the defined benefit obligation	5,058,643	4,902,826	4,821,680
Fair value of Fund assets (bid value)	3,030,486	2,867,378	2,735,997
Net liability in balance sheet	**2,028,157**	**2,035,448**	**2,085,683**

*Present value of funded obligation consists of £4,896,919,000 in respect of vested obligation and £161,724,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Opening defined benefit obligation	**4,902,826**	**4,821,680**
Current service cost	166,982	171,159
Interest cost	123,922	133,963
Change in financial assumptions	244,869	(148,237)
Change in demographic assumptions	(292,618)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(119,874)	(111,296)
Past service costs, including curtailments	4,614	8,186
Contributions by Scheme participants and other employers	27,922	27,371
Unfunded pension payments	-	-
Closing defined benefit obligation	**5,058,643**	**4,902,826**

Reconciliation of opening & closing balances of the fair value of Fund assets	**Year to 31 Mar 2019 £000s**	**Year to 31 Mar 2018 £000s**
Opening fair value of Fund assets	**2,867,378**	**2,735,997**
Interest on assets	73,148	76,716
Return on assets less interest	89,976	49,217
Other actuarial gains/(losses)	-	-
Administration expenses	(2,354)	(2,307)
Contributions by employer including unfunded	94,290	91,680
Contributions by Scheme participants and other employers	27,922	27,371
Estimated benefits paid plus unfunded net of transfers in	(119,874)	(111,296)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**3,030,486**	**2,867,378**

The total return on the Fund’s assets for the year to 31 March 2019 is £163,124,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	5,058,643	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	4,961,536	5,157,749
Long term salary increase	5,068,930	5,048,430
Pension increases and deferred revaluation	5,147,364	4,971,655
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	5,246,283	4,877,924

ACADEMY	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.
ACCOUNTING DATE	The date to which an organisation makes up its Financial Statements. Like all Local Authorities, DCC's accounting date is 31 March.
ACCOUNTING PERIOD	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.
ACCOUNTING POLICIES	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.
ACCRUAL	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.
ACTUARIAL GAINS AND LOSSES	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.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
AMORTISATION	Amortisation is the equivalent of depreciation for intangible assets (see below).
ASSET	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).
ASSETS HELD FOR SALE	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the Council's plans expressed in financial terms.
CALL TO ACCOUNT	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.
CAPITAL CHARGE	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.
CAPITAL EXPENDITURE	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).
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
CARRYING AMOUNT	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.

COLLECTION FUND	A fund maintained by District, Unitary and Borough councils for the collection and distribution of council tax receipts. County, District, Unitary and Parish Council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
COMMUNITY ASSETS	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.
COMPONENT ACCOUNTING	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.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	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.
CORPORATE & DEMOCRATIC CORE	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.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property-based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	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.
CURRENT ASSETS	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
CURRENT LIABILITIES	Amounts owed by the Local Authority which are due to be settled within 12 months.
CURRENT SERVICE COST	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT	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.
DEBTORS	Amounts due to the Authority but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use or consumption of a fixed asset during the accounting period.
DONATED ASSET	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".
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
ESTIMATION TECHNIQUES	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.

FINANCIAL ASSET	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
FINANCIAL INSTRUMENT	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.
FINANCIAL LIABILITY	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
FORMULA SPENDING SHARE (FSS)	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
FULL-TIME EQUIVALENT (FTE)	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.
HERITAGE ASSET	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.
IAS	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.
IFRS	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.
IMPAIRMENT	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.
INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
INVENTORIES	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
INVESTMENT PROPERTY	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
LEASE (EMBEDDED LEASE)	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.
LEASE (FINANCE LEASE)	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.
LEASE (OPERATING LEASE)	Any lease which is not a finance lease.
LOCAL MANAGEMENT IN SCHOOLS (LMS)	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.
MEASUREMENT	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognised 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.

MEDIUM TERM FINANCIAL PLAN (MTFP)	The Council's three-year, rolling, financial plan.
NATIONAL NON-DOMESTIC RATES (NNDR)	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.
NON-CURRENT ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
NON-DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
OPERATING SEGMENTS	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. DCC has chosen Directorates as its operating segments.
OTHER OPERATING INCOME AND EXPENDITURE	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.
PAST SERVICE COST	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.
PRECEPT	A levy requiring the District and Borough Councils to collect income from council taxpayers on behalf of the County Council. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
PROVISIONS	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.
RELATED PARTY	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 DCC if, for example, a person employed by DCC has significant influence over the entity or is a member of the key management personnel of that entity.
REFCUS	Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County 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.
RESERVES	Sums set aside and earmarked to meet the cost of specific future expenditure.
RESIDUAL VALUE	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.

REVALUATION RESERVE	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.
REVENUE EXPENDITURE	The day-to-day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	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.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Council in support of its day-to-day expenditure and distributed on a formula basis.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SEGMENTAL ANALYSIS	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
SERVICE CONCESSION	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.
SOFT LOAN	A loan with an interest rate below market rates.
SPECIFIC GRANTS	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.
SUBSEQUENT EXPENDITURE	Expenditure which is incurred on an asset after it has begun its useful economic life.
SURPLUS ASSETS	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.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the County Council from outside contractors or other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRADING UNDERTAKING	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).
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.
UNUSABLE RESERVES	Those that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
USABLE RESERVES	Those that can be applied to fund expenditure or reduce local taxation.