EAST DORSET DISTRICT COUNCIL

STATEMENT OF ACCOUNTS - YEAR ENDED 31 MARCH 2018

LEADER OF THE COUNCIL
Councillor Spencer Flower

CHIEF EXECUTIVE
David McIntosh

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Narrative Report

Narrative Report

1. LOCAL GOVERNMENT REORGANISATION IN DORSET

This year saw the Secretary of State for the Ministry of Housing, Communities and Local Government decide to implement, subject to Parliamentary approval, a locally-led proposal to replace the existing nine councils across Dorset – two small unitary councils of Bournemouth and Poole and the two tier structure of Dorset County Council and the district councils of Christchurch, East Dorset, North Dorset, Purbeck, West Dorset, and Weymouth & Portland with two new councils from 1st April 2019.

Subject to the Parliamentary approval this will mean that 2018/19 will be the final year for this Council. Despite this there is a recognition that the Council has been innovative in its ideas and approach, especially with regard to its economic development activities as a means of promoting overall prosperity, thriving communities and housing to meet the needs of the future. At a time when many Councils are under pressure to deliver less, working together with Christchurch Borough Council, the Council has maintained services and where possible aimed to deliver more for its community.

The 2016-2020 Corporate Plan will now not be seen through to its conclusion, however, in the last year of the Council it still represents the ambitions and commitments of Christchurch Borough Council and East Dorset District Council. Whilst plans for the creation of two new councils in Dorset are underway the themes will remain the focus of the Council in 2018/19.

The plan comprises 5 themes which articulate the partnership's priorities for 2018/19:

(a) Growth and Economy
Local councils have an important role to play in delivering economic growth by providing an environment which supports business, both existing and those starting up, and promotes the area as a good place to do business. We will continue to develop our Growth Plan to positively influence the local economy into the future.

(b) Access to Housing
Housing is not just an end in itself, it is important in supporting a thriving mixed community. We will make sure that we continue to explore opportunities to deliver new homes in the area as well as ensuring that significant numbers meet affordability criteria. We will also invest in making more temporary accommodation available so that we lessen reliance on bed and breakfast accommodation.

(c) Effective Council
Despite the ongoing decline in central government funding, the Council has found ways to deliver services effectively and innovatively in partnership with others. We will also continue to maintain our already strong financial performance and, where possible, look for other funding opportunities.

(d) Safe and Healthy Communities
To ensure our communities continue to thrive we need to encourage our residents to maintain or adopt healthy lifestyles as well as enable them to feel safe. We will continue to deliver programmes which contribute to wellbeing and will work with

partners to maintain the low levels of crime and antisocial behaviour we currently have.

(e) Managing Our Environment

We live in an area characterised by natural beauty and diversity, and we need to ensure that the decisions we make today will not have an adverse effect on future generations. We will continue to maintain and promote our open spaces and will ensure that development takes into account environmental constraints. We will also work with partners to efficiently manage waste and recycling.

The outcome of focussing on these in the last year will continue to develop strong, successful and sustainable communities in Christchurch and East Dorset. Places where people can be optimistic about their future and where they can have fulfilling lives whilst enjoying the fantastic surroundings in which they are lucky enough to live.

The corporate plan has been supported by 2 key documents: the Medium Term Financial Strategy and the Partnership Development Strategy. These documents will have less relevance going forward.

The Management Structure of the Council

Supporting the work of the Elected Members of the Council in delivering the corporate aims is the organisational structure of officers headed by the Chief Executive and the Corporate Team. The Corporate Team consists of the Chief Executive, three Directors and two Heads of Service.

2. NATIONAL AND LOCAL ECONOMIC PICTURE

The Council continues to operate in a challenging financial environment. Recent changes to Local Government funding streams mean that councils are subject to significant financial risks relating to business rate income and the cost of local Council Tax schemes. In addition there are wider economic challenges facing Local Government relating to the increasing costs of providing some services, reductions in investment income and reductions in Revenue Support Grant due to the Government’s deficit reduction programme.

The fair funding review and the 100% retention of business rates proposal were both withdrawn by the Government but the expectation is that both will feature again in the near future. The impact of both will not affect the Council given that any implementation will be beyond 2019/20.

Uncertainty continues regarding Britain’s vote to leave the European Union. The long term financial impact of this decision on the country is unknown and will depend upon the outcome of negotiations between the UK Government, EU Members, and other global economies.

In the recent Spring Statement the Chancellor announced;

‘The economy continues to grow, continues to create jobs and continues to beat expectations. The economy has grown for five consecutive years, and exceeded expectations in 2017. The OBR has increased their forecast for growth this year.

Manufacturing has had the longest period of expansion in 50 years.
Employment has increased by 3 million since 2010, which is the equivalent of 1,000 people finding work every day. The unemployment rate is close to a 40-year low.

The UK's public finances have reached a turning point, with borrowing down and the first sustained fall in debt for 17 years. Borrowing has fallen by three-quarters since 2010. In 2009-10 the UK borrowed £1 in every £4 that was spent. The OBR expect that we will borrow £1 in every £18 this year.
Debt will start falling as a share of GDP next year. Even so, the UK's debt remains too high, equal to around £65,000 per household. This makes the economy vulnerable to future shocks. It also imposes a significant burden on future generations.

The cost of debt interest payments is around £50 billion each year – more than the amount spent on the police and armed forces combined.
The government has a balanced approach to get debt falling while funding our vital public services, keeping taxes low, and investing in Britain's future.'

The Bank of England has increased the base rate to 0.5% after several years at 0.25% in response to an increase in inflation.

To date this Council has responded well to the financial challenges it has faced. Service delivery has been maintained and the Council's financial position strengthened through a flexible and prudent approach that combines a strategy on Council Tax, savings from Partnership working, and thorough budget reviews that scrutinise both costs and income.

A product of this strategy is that a revenue surplus has been achieved over the last few years due to the effect of front-loaded revenue savings creating headroom in the budget. These surpluses have enabled the Council to increase its level of reserves to invest in corporate priorities or address financial risks.

The Council has not prepared a Medium Term Financial Strategy given that 2018/19 will be the last year of its existence. The budget for 2018/19 is balanced.

3. FINANCIAL PERFORMANCE 2017/18

The In-year revenue surplus for the 2017/18 financial year was £532k, which represents 1.6% of the Council's £33.4m gross expenditure budget. The in-year revenue surplus is analysed in detail in the Capital and Revenue Outturn Report 2017/18 presented to the 19th June 2018 Cabinet meeting which can be found at the Council's website www.dorsetforyou.gov.uk.

The net revenue surplus related, in the main, to:

- additional business rates retained income derived from S31 Grants;
- increased income from car parking, planning, and Moors Valley Country Park;
- savings achieved from the Dorset Waste Partnership, housing services and insurance costs;
- budget pressures relating to building control and the Queen Elizabeth Leisure Centre.

The revenue surplus of £532k, plus the budgeted headroom of £561k has enabled the Council to contribute £1,093k to reserves, which further strengthens the Council's financial position. Many of the areas of budget pressure such as building control and Queen Elizabeth Leisure Centre were identified during the financial year and provision has been made in the 2018/19 budget. Therefore the 2018/19 budget is soundly based.

The Capital and Revenue Outturn Report 2017/18 reported to Members a year end surplus of £532k which differs from the position reported in the financial statements due to generally accepted accounting practice and the rules to which the financial statements must be prepared. The table below reconciles the figures reported to Cabinet with the net expenditure chargeable to the General fund as set out in Note 2 to the Core Financial Statements.

	Budget	Net Expenditure Chargeable To General Fund	Add Depreciation	Adjust Reserve Movement	Finance Lease Adjustment	Reported To Cabinet 19 June 2018	Budget Variance
	2017/18 £k	2017/18 £k	2017/18 £k	2017/18 £k	2017/18 £k	2017/18 £k	2017/18 £k
Service Area							
Growth & Economy	1,160	**397**	2	728	0	**1,127**	(33)
Housing & Health	1,811	**1,821**	21	(29)	0	**1,813**	2
Finance	862	**978**	7	(5)	0	**980**	118
Community & Leisure	2,294	**2,012**	544	97	6	**2,659**	365
Organisational Development	958	**699**	205	(66)	0	**838**	(120)
Legal & Democratic	772	**698**	0	88	0	**786**	14
Property & Engineering	2,269	**2,091**	108	(106)	0	**2,093**	(176)
Service Expenditure	**10,126**	**8,696**	**887**	**707**	**6**	**10,296**	**170**
Investment Income	(41)	**(62)**	0	0	(4)	**(66)**	(25)
Depreciation Adjustment	(726)	**0**	(887)	0	0	**(887)**	(161)
Headroom Cont To Reserves	561	**0**	0	561	0	**561**	0
Net Contribution To Reserves (Inc. Surplus For Year)	(50)	**1,451**	0	(1,522)	0	**(71)**	(21)
Net Expenditure	**9,870**	**10,085**	**0**	**(254)**	**2**	**9,833**	**(37)**
Parish Council Precepts	2,090	**2,090**	0	0	0	**2,090**	0
Business Rate Income	(1,896)	**(1,271)**	0	(1,095)	0	**(2,366)**	(470)
General Government Grants (Inc. Revenue Support Grant)	0	**(2,085)**	0	2,060	0	**(25)**	(25)
Statutory Provision Financing Capital Expenditure	0	**2**	0	0	(2)	**0**	0
Capital Expenditure Charged To General Fund	0	**1,243**	0	(1,243)	0	**0**	0
Council Tax	(10,064)	**(10,064)**	0	0	0	**(10,064)**	0
Internal Reporting (Surplus) / Deficit For Year	**0**	**0**	**0**	**(532)**	**0**	**(532)**	**(532)**

The adjustments are required for the following reasons:

- Depreciation - The Council budgets include depreciation but this is not chargeable to the General Fund (£887k).

- Adjust Reserve Movement - The Council does not include revenue and capital transactions funded from reserves in its revenue budget as they do not impact upon Council Tax, while they are included in the Net Expenditure Chargeable To The General Fund. The following adjustments are therefore necessary to remove reserve transactions included in the Financial Statements. The internal budgeting outturn figure of £532k surplus is also adjusted for so that it is visible for reporting purposes:

Adjustments	Amount £000	Amount £000
Adjustments To Service Expenditure:		
Remove Asset Maintenance Costs Funded Reserves	(164)	
Remove Pension Fund Deficit Payment Funded Reserves	(276)	
Remove Net Income Within Services Credited To Reserves	1,147	
Net Adjustment To Service Expenditure		**707**
Adjustments To Reserve Contributions:		
Remove Asset Maintenance Costs Funded Reserves	164	
Remove Net Income Within Services Credited To Reserves	(1,147)	
Remove New Homes Bonus Grant Contribution	(885)	
Remove Capital Expenditure Financed Reserve	1,243	
Remove Transition Grant Not Included Internal Budgeting	(80)	
Add Pension Fund Deficit Payment Funded Reserves	276	
Remove Contribution Relating To Budget Outturn Position 2017/18	(532)	
Net Adjustment To Reserve Contributions		**(961)**
Adjustments To Business Rate Income:		
Add S31 Grant Included Under General Government Grants	(1,095)	
		(1,095)
Adjustments To Business Rate General Government Grants:		
Remove S31 Grant Included Under General Government Grants	1,095	
Remove New Homes Bonus Grant Contribution	885	
Remove Transition Grant Not Included Internal Budgeting	80	
		2,060
Adjustments To Capital Expenditure Charged To General Fund:		
Remove Capital Expenditure Charged To General Fund	(1,243)	
		(1,243)
Net Reserve Adjustments		**(532)**

- Finance Lease Adjustment – Under accounting rules the Council is deemed to have financed a biomass boiler through a finance lease and must account for the expenditure on it as an interest cost and repayment of principle. For budgeting purposes this cost is allocated to the Community & Leisure Service operating expenditure.

Capital

As at 31 March 2018 the Council has an approved five year capital programme totalling £4,793k. The capital programme is fully funded and the ambition is to complete or commit as much of the programme prior to the potential dissolution of the Council. The programme for 2017/18 totalled £1,591k but only £933k was actually spent. Slippage of £658k is carried forward into the next financial year, a significant proportion of which relates to asset maintenance.

More detail on the Council's capital programme can be found in the Capital and Revenue Outturn Report 2017/18 presented to the 19th June 2018 Cabinet . This report can be found at the Council's website www.dorsetforyou.gov.uk.

Useable Reserves

The Council maintained a strong reserves position, comprising earmarked and un-earmarked reserves. These reserves were £15,731k as at 31 March 2018, including capital receipts and capital grants. This figure is greater than the £13,754k forecast when the 2018/19 budgets were set due to the capital programme slippage of £658k and the £532k revenue surplus achieved in 2017/18.

The Movement in Reserves Statement shows a net contribution to reserves of £1,451k. This is made up mainly from the budgeted revenue headroom of £561k, the in-year revenue surplus of 532k, plus the New Homes Bonus Grant received of £885k.

The Council has £4,378k of unallocated reserves as at 31 March 2018. This will be supplemented by the 2018/19 budgeted headroom of £505k and New Homes Bonus allocation of £535k.

Value for Money

The Council has been ambitious to grow and sustain the economy of the area, and to translate that growth into better lives for residents. Achieving this vision, against an increasingly difficult financial and economic backdrop, means that even greater emphasis is being placed on changing the way we work to deliver better services and improve value for money. This means redesigning services to make better use of resources: in essence, 'doing more with less'. The Council has a strong financial standing and a good track record of achieving savings through adopting more efficient ways of providing our services whilst maintaining prudent levels of reserves and maintaining low council tax increases. We have had in place a clear framework for decision making. We aim to maximise resources available and put in place robust processes to ensure that value for money is continually challenged, both in terms of day-to-day service delivery, and broader transformation plans.

4. PERFORMANCE MANAGEMENT

Performance Monitoring

The Partnership has been committed to maintaining and where possible improving the services it delivers and positive outcomes for residents. Progress is measured against corporate plan objectives and also against national and local performance indicators.

The progress made against the Council's Performance indicators are reported to the Joint Audit Committee on a quarterly basis. Where the Joint Audit Committee assesses performance against key areas to be less than the standard expected, then further investigation or remedial action will be required.

The performance management report presented to the Joint Audit Committee in March 2018 showed that all areas including Housing, Planning and Revenues & Benefits had all shown performance improvements in the year and all areas were reported to be on track to reach the target performance levels.

People

The Council's workforce is our most important resource. The key to the delivery of the Council's ambitions is an adaptable, skilled and highly motivated workforce, working flexibly to meet the requirements of our customers and the needs of the business.

In order to meet financial, technological and political pressures for change while maintaining service delivery, the Council has implemented a new way of working called Smarter Working. This aims to give staff the tools and technology to enable them to work flexibly from a variety of fit-for-purpose locations in order to meet the needs of customers, achieve financial efficiencies and maintain a good work-life balance.

5. THE STATEMENT OF ACCOUNTS

This document sets out East Dorset District Council's accounts for the year 2017/18. Although the financial position is regularly monitored and reviewed throughout the year the Statement of Accounts brings together the financial results of all the Council's operations for the whole of the financial year 2017/18.

The accounts have been divided into six sections as detailed below:

Section 1: Statement of Responsibilities. This identifies the roles of the Council and the Responsible Financial Officer and follows this Narrative Report.

Section 2: Core Financial Statements. This section shows the main accounting statements and is made up of:

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different to the accounting cost. The taxation position is shown in both the Expenditure & Funding Analysis and the Movement in Reserves Statement.

The deficit on the provision of services in the Comprehensive Income and Expenditure Statement is £775k.

The Comprehensive Income and Expenditure Account (CIES) is compiled in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK.

The Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The surplus/(deficit) on the provision of services shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.

The net increase/decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

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, 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 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 of the council are funded by way of taxation and grant income or from the recipients of services provided by the council.

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

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

Section 3: The Notes to the Core Financial Statements. The Statement of Accounting Policies explains the basis of the figures used in these accounts and is followed by the Notes to the Core Financial Statements, which provide further details and explanations of the figures making up the core financial statements.

Section 4: The Collection Fund. In this statement billing authorities record the transactions relating to Council Tax and Business Rates.

Section 5: The Annual Governance Statement. This describes the corporate governance of the Council and any known weaknesses in corporate governance.

Section 6: Glossary. The accounts include some technical terms which are explained in the Glossary.

6. MATERIAL ASSETS ACQUIRED AND LIABILITIES INCURRED

There have been no material assets acquired and liabilities incurred.

7. MATERIAL CHARGES AND CREDITS

As part of the regular review of valuations property, plant and equipment was revalued upwards by £1,182k.

8. SIGNIFICANT CONTINGENCIES, PROVISIONS AND WRITE OFFS

There were no significant contingencies, provisions or write offs.

9. PENSIONS

The Pension Fund deficit has decreased by £2.5m during the year. This was largely due to the use of a Single Equivalent Discount Rate and a Single Equivalent Inflation Rate assumption, plus the performance of assets during the year. Full disclosure relating to the Council's Pension Fund can be found in Note 30.

10. CHANGES TO ACCOUNTING POLICIES

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

11. CHANGES TO STATUTORY FUNCTIONS

There were no changes to statutory functions which had a significant impact on the accounts.

12. POST BALANCE SHEET EVENTS

There are no events after the balance sheet date that require disclosure within the Statement of Accounts.

13. FURTHER INFORMATION

Further information about the accounts is available from the Financial Services, East Dorset District Council, Civic Offices, Bridge Street, Christchurch, Dorset, BH23 1AZ. It is the Council's policy to provide full information to the public about its affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The Council's accounts for the year ended 31 March 2018 will be placed on deposit from the 1st June to the 12th July 2018 at the Council Offices, Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG. People who are entitled to vote in the local Council elections may ask the auditor questions about the accounts within the period that the accounts are on deposit. Further details are provided on the Council's website (www.dorsetforyou.gov.uk): the availability of the accounts for inspection is also advertised in the local press.

IAN MILNER CPFA
STRATEGIC DIRECTOR
26 July 2018

Responsibility for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- *make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has the responsibility for the administration of those affairs: in this Council, that officer is the Strategic Director.*
- *manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;*
- *approve the Statement of Accounts.*

I confirm that these accounts were approved by the Joint Audit Committee as Council minute 17.

Councillor KD Johnson
Chairman of the JOINT AUDIT COMMITTEE

The Strategic Director's Responsibilities

The Strategic Director, as the Responsible Financial Officer, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Strategic Director has:

- *selected suitable accounting policies and then applied them consistently;*
- *made judgements and estimates that were reasonable and prudent;*
- *complied with the Code.*

The Strategic Director has also:

- *kept proper accounting records which are up to date;*
- *taken reasonable steps for the prevention and detection of fraud and other irregularities;*
- *ensured that a proper system of internal control is in place;*
- *provided all accounting records to the Council's auditors and ensured that all transactions undertaken by the Council have been properly reflected and recorded in the accounting records;*
- *provided and made available proper and full information to the Council's auditors.*

The Strategic Director also confirms that:

- *there are no other contingent liabilities other than those that have been properly disclosed and recorded in the financial statements;*

- *there is no significant pending or threatened litigation other than that already disclosed in the financial statements;*
- *there are no material commitments or contractual issues other than those already disclosed in the financial statements;*
- *there are no other material transactions with related parties, other than those which have been properly recorded and disclosed in the financial statements;*
- *there are no other material transactions relating to losses, financial statements, third party assets and other commitments other than those disclosed in the financial statements;*
- *there are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finance or operation of the Council;*
- *the assets of the Council have not been used as security for loans;*
- *the Council has no plans or intentions that materially affect the existing valuation or classification of assets and liabilities.*

I certify, that I have complied with my responsibilities as set out above and that the accounts present a true and fair view of the financial position of the Council at the accounting date of 31 March 2018, and its income and expenditure, total recognised gains and losses and cash flows for the financial year then ended.

Ian Milner CPFA
Strategic Director
26 July 2018

The Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s		2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s	Note
			Service Expenditure				
3,986	(1,807)	2,179	Growth & Economy	2,573	(1,472)	1,101	
2,754	(1,091)	1,663	Housing & Health	2,914	(937)	1,977	
19,751	(18,755)	996	Finance	19,059	(18,009)	1,050	
5,908	(3,535)	2,373	Community & Leisure	6,318	(3,434)	2,884	
1,034	(9)	1,025	Organisational Development	1,067	(8)	1,059	
1,049	(249)	800	Legal & Democratic	959	(232)	727	
3,378	(1,012)	2,366	Property & Engineering	3,129	(867)	2,262	
37,860	**(26,458)**	**11,402**	**Cost Of Services**	**36,019**	**(24,959)**	**11,060**	2
			Other Operating Expenditure:				
0	0	0	(Gain)/Loss on the Disposal of Non-Current Assets	0	(10)	(10)	
1,887	0	1,887	Parish & Town Council Precepts	2,090	0	2,090	
1,887	**0**	**1,887**		**2,090**	**(10)**	**2,080**	
			Financing & Investment Income and Expenditure				
7	(94)	(87)	Interest & Investment Income	6	(68)	(62)	
1,078	0	1,078	Net Interest On The Net Defined Benefit Liability	925	0	925	30
1,085	**(94)**	**991**		**931**	**(68)**	**863**	
			Taxation and Non-Specific Grant Income				
0	(9,618)	(9,618)	Council Tax Income	0	(10,080)	(10,080)	
0	(1,411)	(1,411)	Non-Domestic Rate Income	0	(945)	(945)	
0	(2,074)	(2,074)	General Government Grants	0	(2,085)	(2,085)	5
0	(197)	(197)	Capital Grants & Contributions	0	(118)	(118)	5
0	**(13,300)**	**(13,300)**		**0**	**(13,228)**	**(13,228)**	
40,832	**(39,852)**	**980**	**(Surplus)/Deficit on Provision of Services**	**39,040**	**(38,265)**	**775**	**3**

2016/17 Net Expenditure £000s		2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s	Note
980	**(Surplus)/Deficit on Provision of Services**	**39,040**	**(38,265)**	**775**	
	Other Comprehensive Income & Expenditure				
(3,138)	(Surplus)/Deficit on the revaluation of non-current assets			(1,189)	25
2,898	Re-measurement of the Net Defined Pension Liability			(4,222)	30
(240)	**TOTAL OTHER COMPREHENSIVE (INCOME) & EXPENDITURE**			**(5,411)**	
740	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**			**(4,636)**	

Movement in Reserves Statement

	Un-earmarked General Fund	Earmarked Reserves General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Balance at 31 March 2016	**992**	**9,315**	**10,307**	**1,625**	**1,118**	**13,050**	**(1,699)**	**11,351**	
Surplus/(Deficit) on the provision of services (accounting basis)	(980)	0	**(980)**	0	0	**(980)**	0	**(980)**	
Other Comprehensive Income & Expenditure	0	0	**0**	0	0	**0**	240	**240**	
Total Comprehensive Income & Expenditure	**(980)**	**0**	**(980)**	**0**	**0**	**(980)**	**240**	**(740)**	
Adjustments between accounting basis and funding basis under regulations	2,318	0	**2,318**	(488)	(474)	**1,356**	(1,356)	**0**	10
Net Increase/(Decrease) before transfers to earmarked reserves	**1,338**	**0**	**1,338**	**(488)**	**(474)**	**376**	**(1,116)**	**(740)**	
Transfers (to)/from earmarked reserves	(1,336)	1,336	**0**	0	0	**0**	0	**0**	27
Increase/ (Decrease) in year	**2**	**1,336**	**1,338**	**(488)**	**(474)**	**376**	**(1,116)**	**(740)**	
Balance at 31 March 2017	**994**	**10,651**	**11,645**	**1,137**	**644**	**13,426**	**(2,815)**	**10,611**	
Surplus/(Deficit) on the provision of services (accounting basis)	(775)	0	**(775)**	0	0	**(775)**	0	**(775)**	
Other Comprehensive Income & Expenditure	0	0	**0**	0	0	**0**	5,411	**5,411**	
Total Comprehensive Income & Expenditure	**(775)**	**0**	**(775)**	**0**	**0**	**(775)**	**5,411**	**4,636**	
Adjustments between accounting basis and funding basis under regulations	2,226	0	**2,226**	(29)	81	**2,278**	(2,278)	**0**	10
Net Increase/(Decrease) before transfers to earmarked reserves	**1,451**	**0**	**1,451**	**(29)**	**81**	**1,503**	**3,133**	**4,636**	
Transfers (to)/from earmarked reserves	(1,451)	1,451	**0**	0	0	**0**	0	**0**	27
Increase/ (Decrease) in year	**0**	**1,451**	**1,451**	**(29)**	**81**	**1,503**	**3,133**	**4,636**	
Balance at 31 March 2018	**994**	**12,102**	**13,096**	**1,108**	**725**	**14,929**	**318**	**15,247**	

Balance Sheet

31 March 2017			31 March 2018		Note
£000s	£000s		£000s	£000s	
		Non Current Assets			
31,440		Property, Plant & Equipment:	32,571		13
0		Heritage Assets	0		
0		Investment Property	0		
196		Intangible Fixed Assets	186		11
0		Assets Held for Sale	0		
0		Long Term Investments	0		
5		Long-Term Debtors	14		
	31,641	**Total Long-Term Assets**		**32,771**	
		Current			
		Assets			
10,009		Short Term Investments	2,004		36
47		Inventories & Long Term Contracts	65		
2,237		Short Term Debtors	2,067		33
7,896		Cash & Cash Equivalents	17,004		34
211		Assets Held for Sale	0		21
	20,400	**Total Current Assets**		**21,140**	
	52,041	**Total Assets**		**53,911**	
		Current Liabilities			
0		Bank Overdraft	0		
0		Short Term Borrowing	0		
(5,626)		Short Term Creditors	(5,006)		35
(530)		Provisions	(530)		32
(408)		Capital Grants Received In Advance	(797)		26
	(6,564)	**Total Current Liabilities**		**(6,333)**	
	45,477	**Total Assets less Current Liabilities**		**47,578**	
		Long Term Liabilities			
(50)		Long Term Creditors	(48)		22
0		Long Term Borrowing	0		
(7)		Capital Grants Received In Advance	(7)		26
(34,808)		Pensions Asset/(Liability)	(32,276)		30
	(34,865)	**Total Long Term Liabilities**		**(32,331)**	
	10,612	**Net Assets**		**15,247**	
		Usable Reserves			
		Fund Balances & Reserves			
10,651		- Earmarked Reserves	12,101		27
993		- General Fund Balance	993		27
1,137		Capital Receipts Reserve	1,107		26
645		Capital Grants Unapplied	726		26
	13,426			**14,927**	
		Unusable Reserves			
	18,748	Capital Adjustment Account	18,798		24
	13,044	Revaluation Reserve	13,906		25
	(34,808)	Pensions Reserve	(32,276)		30
	0	Deferred Capital Receipts	0		
	274	Collection Fund Adjustment Account	(36)		37
	(72)	Accumulated Absences Account	(72)		31
	10,612	**Total Reserves**		**15,247**	

The audited accounts were issued on 27th July 2018

Cash Flow Statement

2016/17 £000s		2017/18 £000s	2017/18 £000s	Note
9,711	**Cash & Cash Equivalents at 1 April**		**7,896**	34
	OPERATING ACTIVITIES			
(980)	**Surplus/(Deficit) on the Provision of Services**		**(775)**	
	Adjustments for non-cash movements:			
858	• Depreciation	803		
0	• Impairment and downward revaluation of assets	7		
52	• Amortisation of intangible assets	84		
1,130	• Increase/(decrease) in creditors	(623)		
80	• (Increase)/decrease in debtors	168		
2	• (Increase)/decrease in inventories	(18)		
1,622	• Pension liability	1,690		
(541)	• Contribution to/(from) provisions	0		
0	• Carrying amount of non current assets sold	211		
3,203	Total adjustments for non-cash movements		**2,322**	
	Adjustments for items that are investing or financing activities:			
(1,133)	• Capital grants credited to surplus on provision of services	(152)		
0	• Proceeds from sale of property, plant and equipment	(221)		
(89)	• Interest received	(77)		
7	• Interest paid	6		
(1,215)	Total adjustments for investing and financing items		**(444)**	
1,008	**Net Cash (Outflow)/Inflow from Operating Activities**		**1,103**	
	INVESTING ACTIVITIES			
	Cash Outflows			
(794)	Purchase of non-current assets	(826)		
(13)	Other Capital Payments	0		
0	Long Term Loans Granted	0		
(12,000)	Purchase of short term investments	0		
	Cash Inflows			
0	Proceeds from sale of non-current assets	221		
244	Capital grants received	540		
10,000	Proceeds from short term investments	8,000		
89	Interest received from short term investments	77		
0	New Finance Leases	0		
0	Other capital cash receipts	0		
(2,474)	**Net Cash (Outflow)/Inflow from Investing Activities**		**8,012**	
	FINANCING ACTIVITIES			
	Cash Outflows			
0	Repayments of short term borrowing	0		
(2)	Payments for the reduction in the finance lease liability	(2)		
(7)	Interest paid	(6)		
	Cash Inflows			
(340)	Council Tax and National Non Domestic Rate adjustments	1		
(349)	**Net Cash (Outflow)/Inflow from Financing Activities**		**(7)**	
(1,815)	**Net Increase/(Decrease) in Cash & Cash Equivalents**		**9,108**	
7,896	**Cash & Cash Equivalents at 31 March**		**17,004**	34

Notes to the

Core Financial Statements

Statement of Accounting Policies

1. GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year 2017/18 and its position at 31 March 2018. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code) issued by CIPFA, supported by International Financial Reporting Standards (IFRS). The guidance notes issued by CIPFA on the application of accounting standards have also been followed unless otherwise stated.

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

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed and the accounts include relevant accruals. The accounts have been prepared on a going concern basis, on the presumption that the Council will continue in operation.

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

2. CHANGES TO ACCOUNTING POLICIES

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

3. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. They are retrospective and so require the comparative figures for the previous accounting period to be restated.

Details of prior period adjustments made are disclosed in Note 1 to the Financial Statements.

4. PRIOR PERIOD ERRORS

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

5. JUDGEMENTS MADE BY MANAGEMENT

In applying these accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Where an item of Property, Plant or Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. When considering the componentisation of assets, a de-minimis level of £300,000 has been applied. Assets whose value, not including land, are below this level are not considered for componentisation on the grounds of materiality. When considering assets that are above the de-minimis level for componentisation, the Council defines components that are 20% or more of the total value of the asset as significant components.

6. CHANGES TO ACCOUNTING ESTIMATES

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

7. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below.

Pension Fund estimates are based on the latest actuarial valuation of the Dorset County Council pension fund completed as at 31 March 2016 and updated to 31 March 2018 by a qualified independent actuary, Barnett Waddingham. Their approach is disclosed in more detail in the notes below.

- *Pensions – Liabilities: valued on an actuarial basis 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.*
- *Pensions – Roll Forward Approach: In order to assess the value of the employer's liabilities as at 31 March 2018, the actuary has rolled forward the value of the employer's liabilities reported as at the latest formal valuation, allowing for the different financial assumptions required under IAS 19. In calculating the asset share, the actuary has rolled forward the assets allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by and in respect of the employer and its employees. It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without conducting a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results, provided that the actual experience of the employer and 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. The actuary is satisfied that this approach is appropriate.

- *Pensions – Service Cost: The projected unit method has been used to calculate the service cost.*
- *Pensions – Demographic and Statistical Assumptions: the actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2016. It has also been assumed that in future members will exchange half of their commutable pension for cash at retirement and that members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age. It is assumed that the proportion of the membership that had taken up the option to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.*
- *Pensions – Financial Assumptions: These are set out in Note 30 to the Core Financial Statements.*
- *Pensions – Asset Valuation: The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 5%.*
- *Pensions – Expected Return on Assets: For accounting years beginning after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.*
- *Pensions – Discount Rate: In estimating the Council's future cashflows the actuary has assumed a past service liability duration of 18 years. The estimated cashflows are used to derive a Single Equivalent Discount Rate. The discount rate derived is such that the net present value of 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).*
- *Pensions - RPI & CPI Increase: The RPI increase assumption is set using a Single Equivalent Inflation Rate approach, using notional cashflows as 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 Bank of England implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point.*
- *As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption that CPI will be 1% per annum below RPI, ie 2.35%*
- *Pensions - Salary Increases: Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale.*

Provisions for bad debts are estimated based on the age of the debt and the likelihood of recovery. The following estimates have been made:

- *At 31 March 2018 the Council had a balance of £680,055 in unpaid sundry debts (£269,195 31 March 2017). A review of these debts suggested that an impairment of £213,475 was appropriate (£112,262 31 March 2017). If collection rates were to deteriorate then this provision would be insufficient to meet the liability, resulting in a reduction in income in future years*

- *At 31 March 2018 the Council was recovering £1,054,994 in overpaid housing benefit (£943,917 31 March 2017). A review of these debts suggested that an impairment of £1,002,244 was appropriate (£896,721 31 March 2017). If collection rates were to deteriorate then this provision would be insufficient to meet the liability, resulting in a reduction in benefit subsidy*

Housing Benefit Subsidy income has been estimated on the basis of an unaudited draft final claim. The audit may reveal errors in the compilation of the claim which could result in the subsidy being materially increased or reduced.

The Business Rate Retention Scheme has been in operation from 1 April 2013. Previously the Council acted purely as an agent collecting business rates on behalf of Central Government. Now the Council is exposed to risks and rewards associated with growth or decline in the business rate baseline of the District. A provision has been set up to cover the cost of current and backdated business rate appeals by rate payers, of which East Dorset's share is £392,724 (£392,724 31 March 2017). If total successful appeals exceed this amount it would result in a reduction in business rate income for the Council.

The distribution of the balance relating to Council Tax on the Collection Fund is estimated based on the relative precepts of the authorities paid from the fund.

The distribution of the balance relating to National Non Domestic Rates on the Collection Fund is calculated according to income sharing percentages set by the Government under the Business Rate Retention Scheme.

Fair Value measurements for the Council's surplus assets cannot be measured based on quoted prices in active markets (Level 1). They are instead measured at Level 2 using experts to identify relevant valuation techniques to determine fair value. Level 2 inputs are those that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. Changes in the assumptions used could affect the fair value of the authority's assets and liabilities. More information on the valuation of Surplus Assets using Fair Value can be found in Note 18.

Local Government Reorganisation – Dorset

Legislation has now been passed through both Houses of Parliament for the reorganisation of all nine Dorset authorities to allow the creation of two new Unitary authorities, Bournemouth Christchurch & Poole, and Dorset Council to service the whole of Dorset. East Dorset District Council will cease to exist as an entity from the 31 March 2019 and its services and functions, assets and liabilities will transfer to the new Dorset Council on 1 April 2019.

8. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

9. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Council uses a de-minimis value of £15,000 under which assets are not required to be capitalised.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the balance sheet using the following measurement bases:

- *Infrastructure assets and community assets and assets under construction: depreciated historical cost.*
- *Surplus assets: current value at fair value, measured for their economic benefits in accordance with IFRS13. Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Note 18 provides more detail on the valuation of Surplus Assets at the Balance Sheet date.*
- *All other assets: current value, determined as the amount that would be paid for the asset in its existing use.*

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for as follows:

- *where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)*
- *where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement .*

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated according to the following policy:

- *Depreciation is calculated using the straight-line method.*
- *Newly acquired assets are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use.*
- *Depreciation periods are disclosed in Note 14 to the Core Financial Statements.*
- *Where an asset has major components with different estimated useful lives these are depreciated separately.*

Where an item of Property, Plant or Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Components are judged to be significant if they account for 20% or more of the value of the asset. Assets valued below the £300,000 de-minimis (excluding land) set by the Council are not considered for componentisation on the grounds of materiality.

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

Disposals and Non-Current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When as asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement on Reserves Statement.

The written off value of disposals is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

10. HERITAGE ASSETS

Heritage assets are a distinct class of asset that are reported separately from property, plant and equipment and from intangible assets. The financial statements are produced in accordance with FRS102, *Heritage Assets.* Heritage assets can be tangible or intangible assets and are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities and which are held and maintained principally for their contribution to knowledge and culture. The historical, environmental and cultural associations of such assets make their preservation for future generations important. Assets that are not held principally for their contribution to knowledge and culture fall outside the scope of Heritage Assets and instead will be classed as operational assets.

Heritage Assets can be classified as either operational or non-operational Heritage Assets. Operational Heritage Assets, in addition to being held for their heritage characteristics, are also used by the authority to provide other services or for other activities. Operational Heritage Assets are required to be valued in the same way as other assets of that general type. The council only holds non-operational Heritage Assets.

The Code requires non-operational Heritage Assets to be recognised in the Balance Sheet where information exists on the cost or value of the asset. Where the cost of obtaining information relating to the value of the asset outweighs the benefits of the information to users of the financial statements, the assets are not recognised in the Balance Sheet, although they are disclosed in the Notes to the Financial Statements.

Heritage Assets are normally carried at valuation in the Balance Sheet, except where no market exists and so valuation is not practicable, when historical cost is used, or where no information is available and the cost of obtaining the information is prohibitive. Where valuations are carried out the Code allows them to be made by any method that is appropriate and relevant, with no prescribed period between valuations.

Where the revaluation of heritage assets produces gains or losses, these are accounted for in the same way as property, plant and equipment, with adjustments being made in the Revaluation Reserve where appropriate, as described in Note 9 above.

Depreciation is charged on heritage assets that do not have indefinite lives, using the straight line method over the asset's useful life.

Impairment reviews of heritage assets are only required where there is evidence of impairment, for example an asset has suffered physical deterioration or breakage. Any relevant impairments are accounted for in the same way as impairments to property, plant and equipment, as described in Note 9 above.

The Council holds the following types of Heritage Asset:

Scheduled Ancient Monuments:

Scheduled Ancient Monuments are nationally important archaeological sites and are protected by law against unauthorised change. The Council owns two Scheduled Ancient Monuments, the iron-age barrow at Stephen's Castle and Walnut Tree Field which is the site of an old field system where many important archaeological finds dating back to the Neolithic times have been found.

These assets are carried at historical cost in the balance sheet. Valuations are not possible for archaeological sites due to their unique nature and absence of an active market for such assets. Depreciation does not apply to these assets as they relate purely to land and are judged as having indefinite useful lives. The historical cost of these assets is £1 for the Walnut Tree Field and estimated at £310 for the barrow at Stephen's Castle. These assets are below the £15,000 de-minimis for inclusion on the asset register, and due to their low value cannot be seen on the Council's Balance Sheet.

Civic Regalia:

The Chairman of the Council wears a silver chain of office when acting as a representative of the Council at public events. This chain of office is classified as a heritage asset. The Council has made an assessment of the value of this asset based on both its historic cost and the current market value of silver, and judged it to be far below the de-minimis value of £15,000 for inclusion on the asset register.

Further disclosures relating to the Council's heritage assets can be found in Note 19 to the Financial Statements.

11. INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods held for sale.

Investment properties are measured initially at cost and subsequently at fair value under IFRS 13, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment properties are measured in this way at “highest and best use” for the asset, provided this use is legally and physically possible and financially feasible. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

The Council does not currently hold any assets that meet the definition of Investment Properties.

12. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. These charges are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision).

13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

14. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the assets.

The Council as a Lessee

Finance Leases: Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in property, plant and equipment, which is applied to write down the lease liability; and
- a finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Operating Leases: Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of the payments.

The Council as a Lessor

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement. Credits are made on a straight-line basis over the term of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant assets and charged as an expense over the lease term on the same basis as the rental income.

15. GOVERNMENT GRANTS AND CONTRIBUTIONS AND DONATED ASSETS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and that the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. When it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

16. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowing 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 for the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Council Tax income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund at the year end. This amount is then adjusted for the Authority's share of the surplus/deficit from the previous year that has not been distributed or recovered in the current year. The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be charged to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.
- Non Domestic Rate income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund at the year end. This amount is then adjusted for the Authority's share of the surplus/deficit from the previous year that has not been distributed or recovered in the current year. The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be charged to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

17. 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 investments that mature in no more than 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 flow management.

18. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund

Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement and employee benefits and do not represent usable resources for the Council. The purpose of the Council's earmarked reserves is explained in Note 27 to the Core Financial Statements.

19. PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

20. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

21. CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within control of the Council.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. OVERHEADS and SUPPORT SERVICES

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

The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received.

The bases of allocation used for the main costs of management and administration are outlined below:

Cost	***Basis of Allocation***
• *All Central Departments*	*Estimate of time spent by staff*
• *Civic, Members & Related Expenses*	*Charged to Democratic Representation and Management Service*
• *Administrative Buildings*	*Area occupied*
• *I. C.T. Services*	*Estimate of time spent and actual use*

23. EMPLOYEE BENEFITS

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time of in lieu) earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits: Employees of the Council are members of the Local Government Pension Scheme administered by Dorset County Council, which is accounted for as a defined benefit scheme:

- The liabilities of the Dorset County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees).

- Liabilities are discounted to their value at current prices, using a discount rate of 2.55% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Dorset County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

Service Cost, comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year and allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability – ie net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements, comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions and charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions Paid, comprising:

- contributions paid to the Dorset County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement on Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

24. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from H.M. Revenue and Customs. VAT receivable is excluded from income.

25. FINANCIAL LIABILITIES

Financial liabilities 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 and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

26. FINANCIAL ASSETS

Financial assets are classified into two types:

- loans and receivables: assets that have fixed or determinable payment but are not quoted in an active market
- available-for-sale assets: assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

Fair value is assessed as follows:

- where an investment will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under a 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 or 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

The Council does not have any available-for-sale assets.

27. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the first-in-first-out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

28. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES

A Business Improvement District has operated within Wimborne since 1st August 2011 and in Ferndown & Uddens since 1 September 2014. BIDs are funded through a levy paid by non-domestic ratepayers within the BID area. The Wimborne BID is delivered by Wimborne BID Limited and the Ferndown & Uddens BID is delivered by Ferndown & Uddens BID Limited, each with its own Board of Directors. The Council, in its capacity as the billing authority for the area, is acting as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated.

The transactions relating to the Wimborne and Ferndown & Uddens BIDs are not included in the Council's Comprehensive Income and Expenditure Account, but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the Wimborne and Ferndown & Uddens BIDs as at 31 March 2018 are disclosed in Note 29 to the Financial Statements.

29. GROUP ACCOUNTS

The Code requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The financial statements would include:

- group Comprehensive Income and Expenditure Statement
- group Movement in Reserves Statement
- group Balance Sheet
- group Cash Flow Statement
- notes to the group accounts

In order to assess whether this authority has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.
- if the authority does not have control, whether its interests involve it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- if the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:

- Interests in other entities as shown in Note 8 to the Core Financial Statements.

There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

This position is reviewed and updated on an annual basis.

30. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other councils that involve the use of the assets and resources of the councils rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other councils, with the assets being used to obtain benefits for the councils. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

31. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, where the Statement of Accounts is adjusted to reflect such events

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Note 39 to the Financial Statements discloses relevant post balance sheet events for the year of account.

The Unaudited Statement of Accounts was authorised for issue by the Strategic Director on 31st May 2018.

32. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of changes in accounting practice on the financial statements that will occur as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The following standards have been issued but not yet adopted:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue From Contracts With Customers
- IAS 12 : Income Taxes: Recognition Of Deferred Tax Assets For Unrealised Losses
- IAS 7: Statement of Cash Flows: Disclosure Initiative

The Authority does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

Notes to the Core Financial Statements

1. PRIOR PERIOD ADJUSTMENTS

There have been no prior period adjustments made to the 2016/17 comparative figures in the Balance Sheet or Comprehensive Income & Expenditure Statement.

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Net Expenditure Chargeable To General Fund £000s	2016/17 Adjustments Between Funding And Accounting Basis £000s	2016/17 Net Expenditure In The CIES £000s		2017/18 Net Expenditure Chargeable To General Fund £000s	2017/18 Adjustments Between Funding And Accounting Basis £000s	2017/18 Net Expenditure In The CIES £000s	Note
			Service Expenditure				
1,085	(1,094)	2,179	Growth & Economy	397	(704)	1,101	
1,528	(135)	1,663	Housing & Health	1,821	(156)	1,977	
457	(539)	996	Finance	978	(72)	1,050	
1,699	(674)	2,373	Community & Leisure	2,012	(872)	2,884	
745	(280)	1,025	Organisational Development	699	(360)	1,059	
796	(4)	800	Legal & Democratic	698	(29)	727	
2,178	(188)	2,366	Property & Engineering	2,091	(171)	2,262	
8,488	**(2,914)**	**11,402**	**Net Cost Of Services**	**8,696**	**(2,364)**	**11,060**	
			Other Income & Expenditure:				
0	0	0	(Gain)/Loss Disposal Non - Current Assets	0	10	(10)	
1,887	0	1,887	Parish & Town Precepts	2,090	0	2,090	
(87)	0	(87)	Interest & Investment Income	(62)	0	(62)	
0	(1,078)	1,078	Net Interest Net Defined Benefit Liability	0	(925)	925	
298	298	0	Pension Deficit Contribution	0	0	0	
(9,710)	(92)	(9,618)	Council Tax Income	(10,064)	16	(10,080)	
(1,238)	173	(1,411)	Non Domestic Rate Income	(1,271)	(326)	(945)	
(2,074)	0	(2,074)	General Government Grants	(2,085)	0	(2,085)	
0	197	(197)	Capital Grants & Contributions	0	118	(118)	
1	1	0	Statutory Provision For Financing Capital Expenditure	2	2	0	
1,097	1,097	0	Capital Expenditure Charged To General Fund	1,243	1,243	0	
(1,338)	**(2,318)**	**980**	**(Surplus)/Deficit on Provision of Services**	**(1,451)**	**(2,226)**	**775**	10
(10,307)			**Opening General Fund Balance**	**(11,645)**			
(1,338)			(Surplus) / Deficit For The Year	(1,451)			
(11,645)			**Closing Total General Fund Balance**	**(13,096)**			
			Total General Fund Balance Made Up From:				
(10,651)			Earmarked Reserves General Fund	(12,102)			**27**
(994)			Un-earmarked Reserves General Fund	(994)			**27**
(11,645)			**Total General Fund Balance**	**(13,096)**			

NOTE 2.1 ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments between Funding and Accounting Basis 2016/17

Adjustments From General Fund To Arrive At CIES	Adjustments For Capital Purposes (Note 1)	Net Change For Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Service Area				
Growth & Economy	(980)	(114)	0	**(1,094)**
Housing & Health	(22)	(113)	0	**(135)**
Finance	(503)	(36)	0	**(539)**
Community & Leisure	(593)	(81)	0	**(674)**
Organisational Development	(128)	(152)	0	**(280)**
Legal & Democratic	0	(4)	0	**(4)**
Property & Engineering	(143)	(45)	0	**(188)**
Cost of Services	**(2,369)**	**(545)**	**0**	**(2,914)**
Other Income & Expenditure				
(Gain) / Loss Disposal Non Current Assets	0	0	0	**0**
Net Interest Net Defined Benefit Liability	0	(1,078)	0	**(1,078)**
Pension Deficit Contribution	0	298	0	**298**
Capital Expenditure Charged Against General Fund	1,097	0	0	**1,097**
Council Tax Income	0	0	(92)	**(92)**
Non Domestic Rate Income	0	0	173	**173**
Capital Grants	197	0	0	**197**
Statutory Provision Financing Capital Expenditure	0	0	1	**1**
Difference Between General Fund (Surplus) / Deficit And CIES (Surplus) / Deficit On Provision Of Services	**(1,075)**	**(1,325)**	**82**	**(2,318)**

Adjustments between Funding and Accounting Basis 2017/18

Adjustments From General Fund To Arrive At CIES	Adjustments For Capital Purposes (Note 1)	Net Change For Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Service Area				
Growth & Economy	(575)	(129)	0	**(704)**
Housing & Health	(21)	(135)	0	**(156)**
Finance	(21)	(51)	0	**(72)**
Community & Leisure	(662)	(210)	0	**(872)**
Organisational Development	(205)	(155)	0	**(360)**
Legal & Democratic	0	(29)	0	**(29)**
Property & Engineering	(114)	(57)	0	**(171)**
Cost of Services	**(1,598)**	**(766)**	**0**	**(2,364)**
Other Income & Expenditure				
(Gain) / Loss Disposal Non Current Assets	10	0	0	**10**
Net Interest Net Defined Benefit Liability	0	(925)	0	**(925)**
Pension Deficit Contribution	0	0	0	**0**
Capital Expenditure Charged Against General Fund	1,243	0	0	**1,243**
Council Tax Income	0	0	16	**16**
Non Domestic Rate Income	0	0	(326)	**(326)**
Capital Grants	118	0	0	**118**
Statutory Provision Financing Capital Expenditure	2	0	0	**2**
Difference Between General Fund (Surplus) / Deficit And CIES (Surplus) / Deficit On Provision Of Services	**(225)**	**(1,691)**	**(310)**	**(2,226)**

NOTE 1 Adjustments for Capital Purposes

Adjustments for Capital Purposes – this column includes depreciation and impairment and revaluation gains and losses in service lines, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure - the statutory charges for capital financing (ie Minimum Revenue Provision) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

NOTE 2 Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

For **Services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined liability is charged to the CIES.

NOTE 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Services** there is an adjustment for the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration payable in the year in accordance with statutory requirements.

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 2.2 SEGMENTAL INCOME

	2016/17 Income From Services	2017/18 Income From Services
	£000	£000
Service Area		
Growth & Economy	353	419
Housing & Health	904	780
Finance	18,655	17,855
Community & Leisure	2,947	2,918
Organisational Development	0	0
Legal & Democratic	2	7
Property & Engineering	993	867
Total Segmental Income	**23,854**	**22,846**

NOTE 2.3 SEGMENTAL DEPRECIATION

	2016/17 Depreciation Charged	2017/18 Depreciation Charged
	£000	£000
Service Area		
Growth & Economy	5	0
Housing & Health	22	18
Finance	156	7
Community & Leisure	490	544
Organisational Development	128	210
Legal & Democratic	0	0
Property & Engineering	108	108
Total Segmental Income	**909**	**887**

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

2016/17		2017/18
£000's		£000's
	Expenditure:	
7,410	Employee Related Benefits	7,907
27,443	Other Services Expenses	24,670
3,176	Support Services Recharges	3,480
909	Depreciation, Amortisation, Impairment	887
7	Interest Payments	6
1,887	Precepts & Levies	2,090
0	Loss On Disposal Of Assets	0
40,832	**Total Expenditure**	**39,040**

	Income:	
(8,642)	Fees, Charges & Other Service Income	(7,853)
(94)	Interest & Investment Income	(68)
0	Profit On Disposal Of Assets	(10)
(197)	Capital Grants	(118)
(11,029)	Income From Council Tax & Non Domestic Rates	(11,025)
(19,890)	Government Grants & Contributions	(19,191)
(39,852)	**Total Income**	(38,265)
980	**(Surplus) / Deficit On The Provision Of Services**	**775**

4. BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. The Council is required to set its own charges for Building Regulation application work, so as to recover its costs over any consecutive three-year period.

The costs and income relevant to the Building Control function are shown in the Income and Expenditure Account in the cost of services. In 2017/18, this service cost £224,341 and attracted income of £181,083, resulting in a deficit of £43,258 (2016/17 £9,946 deficit). The service has made a deficit of £68,192 over the last three years of operation. There is no accumulated surplus from previous years held within the Council's reserves.

Certain activities performed by the Building Control Section cannot be charged for. The statement below shows the total cost of operating the Building Control Section divided between the chargeable and non-chargeable activities.

Chargeable Building Control 2016/17 £000s	Building Regulations Charging Account	Chargeable 2017/18 £000s	Non-Chargeable 2017/18 £000s	Total Building Control 2017/18 £000s
	Expenditure			
221	Employees expenses	219	73	292
4	Supplies and services	5	0	5
225	**Total Expenditure**	**224**	**73**	**297**
	Income			
(215)	Building Regulation fees	(181)	0	(181)
(215)	**Total Income**	**(181)**	**0**	**(181)**
10	**(Surplus)/Deficit for Year**	**43**	**73**	**116**

5. GENERAL GOVERNMENT GRANTS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2016/17 £000s		2017/18 £000s
	Credited to Taxation and Non Specific Grant Income	
445	Small Business Rate Relief Grant	956
1,158	New Homes Bonus Grant	885
0	Business Rates Discretionary Scheme Relief	87
145	Transition Funding	80
21	Council Tax Family Annexes Grant	25
26	Business Rates 2% Inflation Cap	21
0	Business Rates Pub Relief	16
0	Business Rates Supporting Small Business Relief	10
0	Business Rates Rural Rate Relief	5
263	Revenue Support Grant	0
1	Business Rates Retail Relief	0
3	Business Rates In Lieu Transitional Relief	0
3	Business Rates New Empty Property Relief	0
5	New Burdens Property Searches	0
4	Business Rates Long Term Empty Property Relief	0
2,074		**2,085**
	Credited to Capital Grants & Contributions	
197	Non Government Capital Grants	118
197		**118**
	Credited to Services – Revenue	
17,128	Housing Benefit Subsidy	16,329
272	Housing Benefit Administration Grants	251
109	NNDR Administration Grant	109
58	Discretionary Housing Payment	93
0	Disabled Facility Grant Direct Funding	71
231	Elections Funding	55
0	Flexible Homelessness Support	44
15	New Burdens –Custom Build	30
0	New Burdens – Preventing Homelessness	24
0	New Burdens – Universal Credit	23
4	Fraud Error Reduction Incentive Scheme	16
0	New Burdens Business Rate Relief	12
18	Overhauling Data Grant	9
8	Transparency Grant	8
0	New Burdens - DHP Administration	6
15	New Burdens – Brownfield Register	5
7	New Burdens - Benefit Cap	5
5	Housing Benefit Real Time Information Referral	5
0	Universal Support	3
9	New Burdens – Welfare Reforms	2

1	New Burdens – Single Fraud Service	1
1	Lettings Agency Transparency & Redress Scheme	1
1	Prevent Home Office Grant	0
1	New Burdens – Business Rate Revaluation	0
6	New Burdens - Self Build	0
158	Community Housing Fund	0
18,047		**17,102**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if these conditions are not met. The balances at the year end are as follows:

	31.3.17 £000s	31.3.18 £000s
Current Liabilities:		
Capital Grants Receipts in Advance:		
Developer Contributions	408	797
Long Term Liabilities:		
Capital Grants Receipts in Advance:		
Developer Contributions	7	7
	415	**804**

6. MEMBERS' ALLOWANCES

The following amounts were paid to members of the Council during the year:

2016/17 £000s		2017/18 £000s
0	Salaries	0
190	Allowances	194
10	Expenses	11
200		**205**

7. EXECUTIVE REMUNERATION

During 2017/18 the number of employees whose remuneration exceeded £50,000 (including benefits in kind, but excluding pension contributions) was as follows:

2016/17 Employees	Total Remuneration		2017/18 Employees
0	Between	£135,001 and £140,000	1
0	Between	£130,001 and £135,000	0
0	Between	£125,001 and £130,000	1
1	Between	£120,001 and £125,000	0
0	Between	£115,001 and £120,000	0
0	Between	£110,001 and £115,000	0
0	Between	£105,001 and £110,000	0
0	Between	£100,001 and £105,000	0
0	Between	£95,001 and £100,000	0
1	Between	£90,001 and £95,000	0
0	Between	£85,001 and £90,000	0
0	Between	£80,001 and £85,000	0
0	Between	£75,001 and £80,000	0
0	Between	£70,001 and £75,000	0
1	Between	£65,001 and £70,000	0
0	Between	£60,001 and £65,000	1
0	Between	£55,001 and £60,000	0
2	Between	£50,000 and £55,000	3

The following sums were paid to Senior Employees whose salary was between £50,000 and £150,000. A Senior Employee is any person having responsibility for the management of the Council, to the extent that the person has the power to direct or control the major activities of the Council, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

		Salary	Bonuses	Expenses Allowance	Compensation for loss of employment	Other Payments	Pension Contributions	Total
		£	£	£	£	£	£	£
Chief Executive	2016/17	116,150				7,844	16,377	140,371
	2017/18	117,312				8,615	17,831	143,758
Strategic Director – Community (from 15/2/16 to 24/3/17)	2016/17	89,044	0	0	0	1,133	12,555	102,732
	2017/18	0	0	0	0	0	0	0
Head of Property and Engineering (to 31.3.2018)	2016/17	67,993	0	0	0	23	9,587	77,603
	2017/18	68,673	0	0	76,562	3,819	10,438	159,492

The sums shown above for Senior Employees of the Council relate to the shared Corporate Management Team which serve the Council's partnership with Christchurch Borough Council.

All of the sums shown above are shared 50:50 between East Dorset District Council and Christchurch Borough Council

East Dorset also shares 50% of the costs of other senior employees who are employed by Christchurch Borough Council where they form part of the shared Senior Management Team. The costs born by East Dorset for these shared posts for the 2017/18 financial year were as follows:

- Strategic Director - Growth and Economy £55,155 (£52,018 for 2016/17)
- Strategic Director – Finance £54,213 (£52,010 for 2016/17)
- Head of Community & Leisure £39,701 (£38,830 in 2016/17)
- Head of Organisational Development £0 (£37,078 – to 14/3/2017)
- Strategic Director Community and Organisational Development £49,382 (£2,152 From 15/3/2017, previously Head of Organisational Development)
- Head of Planning and Building Control Services £29,775 – from 1/6/2017

EXIT PACKAGES

The Council recognises the cost of exit packages for employees when it is demonstrably committed to making them. The costs of exit packages include redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The numbers of exit packages and total cost in bands of £20,000 are set out in the table below:

Exit Package Cost Band	Number Of Compulsory Redundancies		Number Of Other Departures Agreed		Total Number Of Exit Packages		Total Cost Of Exit Packages	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	2	0	0	0	2	0	15	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	1	0	0	0	1	0	77
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	**2**	**1**	**0**	**0**	**2**	**1**	**15**	**77**

The costs relating to compulsory redundancies arise as services are restructured and joined up with Christchurch Borough Council. As such these costs are shared 50:50 with Christchurch.

8. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the legislative framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). These grants are disclosed in Note 5.

Members of the Council have direct control over the Council's financial and operating policies. Members have interests in the following bodies where the following material transactions arose during the year:

Payments	£000s
Priests House Museum Trust - Grant Aid and contribution to staff costs	108
(Councillors S Bartlett and B Manuel are members of the Executive Council)	
Ferndown Community Association – Grant Aid and Repairs & Maintenance	25
(Councillor J Robinson is a member)	
East Dorset Heritage Trust - Grant Aid	20
(Councillors S Bartlett and D Burt are members of the Trust)	
Heatherlands Community Association – Grant Aid	32
(Councillor J Robinson is a member)	
Walford Mill Education Trust Limited – Grant Aid	8
(Councillors D Morgan and B Manuel are members of the Trust)	
East Dorset Citizens Advice Bureau – Grant Aid	70
(Councillors D Morgan and B Manuel are members of the Board)	

Amounts due to and from related parties are included within the balances disclosed in Notes 33 and 35. A register of members' interests is maintained and is open to public inspection.

Members of the senior management team are also considered to have the potential to control or influence the Council. These employees complete individual declarations of interest. There were no related party transactions between the Council and entities in which the senior management team have interests for 2017/18.

The Council also has relationships with:

- Dorset Police and Crime Commissioner and Dorset & Wiltshire Fire & Rescue Authority (as major precepting authorities) as disclosed in the Collection Fund.
- Dorset County Council (as a major precepting authority and administrator of the Dorset County Council Pension Fund) as disclosed in Note 30 and the Collection Fund.

These parties do not constitute related parties as defined by the Code.

<u>Stour Valley Internal Audit Partnership</u>

Included in the Council's Income and Expenditure Account are the costs and income from the Stour Valley Internal Audit Partnership. This partnership provides full internal audit services for East Dorset District Council and Christchurch Borough Council and also undertakes some limited work for North Dorset District Council. East Dorset District Council hosts the Internal Audit Partnership. The costs of the Internal Audit Partnership are split in relation to the number of days allocated to each authority in the audit plan. The table below shows the costs included in the Comprehensive Income and Expenditure Statement for the partnership.

2016/17 £000's		2017/18 £000's
76	Employee Costs	71
30	Supplies & Services	29
7	Central Administration and Accommodation	3
113	**Total Costs of the Partnership**	**103**
(57)	Costs Borne By Christchurch and North Dorset	(51)
56	**Net Cost to East Dorset District Council**	**52**

Stour Valley and Poole Revenues and Benefits Partnership

Included in the Council's Income and Expenditure Account are the Council's share of costs relating to the Stour Valley and Poole Revenues and Benefits Partnership. This partnership formed on 1 January 2015 and administers Council Tax and business rates collection and the award of housing and Council Tax benefit for East Dorset District Council, North Dorset District Council, Christchurch Borough Council and Poole Borough Council. Poole Borough Council host the service, employing all the staff and charge the other partners their share of costs. Prior to this the Stour Valley Partnership provided these services for East Dorset, North Dorset and Christchurch and was hosted by East Dorset. Costs of the Stour Valley and Poole Partnership are split 49% to Poole and 51% to the original Stour Valley Partnership members, who further share this element of the cost on the 36:32:32 basis. East Dorset's share of £939k has been charged to the Income and Expenditure Account.

Shared Management Team

From 1 January 2011 East Dorset District Council and Christchurch Borough Council established a shared management team, the cost of which is split equally between the councils. These officers have the ability to influence both authorities and the relationships between them, although both councils retain their democratic independence. The officers concerned and the payments for their remuneration are disclosed in Note 7. The total cost of the shared service to East Dorset District Council was £489,473.

Shared Services

During 2015/16 East Dorset District Council and Christchurch Borough Council completed their joint working reorganisation. Cost sharing arrangements are set up in each review relevant to the service area being shared.

Dorset Waste Partnership

On 1 April 2011 East Dorset entered a partnership arrangement with Dorset County Council, Purbeck District Council, North Dorset District Council and Christchurch Borough Council to form the Dorset Waste Partnership (DWP). On the 1 April 2013 West Dorset District Council and Weymouth & Portland Borough Council joined the DWP. The partnership is a jointly controlled operation with a DWP Joint Committee which comprises Elected Members from each authority. In addition, there is a Management Board of officers from each authority and the DWP.

Dorset County Council hosts the DWP and on 1 April 2011 the Council's fleet of waste and recycling vehicles were transferred to the County Council, along with the associated finance lease liabilities associated with them. The income and expenditure budgets relating to waste, recycling and street cleaning have largely been transferred to the DWP, and replaced by a payment from East Dorset to the DWP for these services. For 2017/18 East Dorset paid the DWP £1,840,887 in service costs. These costs are included within the Comprehensive Income & Expenditure Account under Property & Engineering Services.

9. AUDITOR REMUNERATION

The Council was audited by Grant Thornton. The Council was due to pay £50,637 for audit services relating to, and other work carried out in, 2017/18 (£50,637 in 2016/17) as shown below.

2016/17 £000's		2017/18 £000's
42	Fees payable to auditors appointed by the Audit Commission with regard to external audit services carried out by the appointed auditor under the Code of Practice.	42
9	Fees payable to appointed auditors for the certification of grant claims and returns.	9
0	Fees payable in respect of other services provided by the appointed auditor.	0
51	**Total**	**51**

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The Comprehensive Income and Expenditure Statement does not include certain adjustments required by statute or non-statutory proper practices but are required to be charged to the General Fund. It is the General Fund Balance, rather than the Comprehensive Income and Expenditure Statement, which shows the impact of the Council operations on the council tax payer. These adjustments are shown in the Movement in Reserves Statement in the line *"Adjustments between accounting basis and funding basis under regulations"* and are analysed in the table below.

2016/17

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Adjustments To Revenue Resources				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,363)			2,363
Employer's pensions contributions and direct payments to pensioners payable in the year	1,039			(1,039)
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	81			(81)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Capital Grants and Contributions Applied	1,132			(1,132)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0		0	
Revenue expenditure funded from capital under statute	(2,396)			2,396
Charges for depreciation and impairment of non-current assets	(858)			858
Amortisation of intangible assets	(52)			52
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Total Adjustments To Revenue Resources	**(3,417)**	**0**	**0**	**3,417**
Adjustments between Revenue and Capital Resources				
Statutory provision for the repayment of debt	2			(2)
Capital expenditure financed from revenue balances	1,097			(1,097)
Transfer of non- current asset sale proceeds from revenue to the capital receipts reserve	0	0		
Total Adjustments between Revenue and Capital Resources	**1,099**	**0**	**0**	**(1,099)**

Adjustments To Capital Resources				
Application of grants to capital financing transferred to the Capital Adjustment Account			474	(474)
Use of the Capital Receipts Reserve to finance new capital expenditure		488		(488)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0		0
Total Adjustments to Capital Resources	**0**	**488**	**474**	**(962)**
Total Adjustments	**(2,318)**	**488**	**474**	**1,356**

2017/18

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Adjustments To Revenue Resources				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,765)			2,765
Employer's pensions contributions and direct payments to pensioners payable in the year	1,075			(1,075)
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(310)			310
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Capital Grants and Contributions Applied	40			(40)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	111		(111)	
Revenue expenditure funded from capital under statute	(738)			738
Charges for depreciation and impairment of non-current assets	(810)			810
Amortisation of intangible assets	(84)			84
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(211)			211

Total Adjustments To Revenue Resources	**(3,692)**	**0**	**(111)**	**3,803**
Adjustments between Revenue and Capital Resources				
Statutory provision for the repayment of debt	2			(2)
Capital expenditure financed from revenue balances	1,243			(1,243)
Transfer of non- current asset sale proceeds from revenue to the capital receipts reserve	221	(221)		
Total Adjustments between Revenue and Capital Resources	**1,466**	**(221)**	**0**	**(1,245)**
Adjustments To Capital Resources				
Application of grants to capital financing transferred to the Capital Adjustment Account			30	(30)
Use of the Capital Receipts Reserve to finance new capital expenditure		250		(250)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0		0
Total Adjustments to Capital Resources	**0**	**250**	**30**	**(280)**
Total Adjustments	**(2,226)**	**29**	**(81)**	**2,278**

11. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

Intangible assets comprise software licenses and are amortised to service accounts on a straight-line basis from the year of acquisition over a three year period which represents their economic lives. The amortisation of £83,547 charged to revenue in 2017/18 (£51,943 in 2016/17) was charged to the relevant cost centre in the Net Expenditure on Services. It is not possible to quantify exactly how much amortisation is attributable to each service heading.

2016/17 £000's		2017/18 £000's
1,409	Original cost	1,549
(1,301)	Amortisations to 1 April	(1,353)
108	**Balance as at 1 April**	**196**
140	Expenditure in year	74
(52)	Written off to revenue in year	(84)
196	**Balance as at 31 March**	**186**
	Comprising:	
1,549	Gross Carrying Amounts	1,623
(1,353)	Accumulated amortisation	(1,437)
196		**186**

12. NON-CURRENT ASSETS

All of the Council's assets relate to the General Fund. Fixed assets owned by the Council as at 31 March 2018 include the following:

Property Plant & Equipment

This category of assets includes:

Land & Buildings

Country Park	1	Museum/Craft/Heritage Centres	2
Houses	7	Off-Street Car Parks	18
Leisure/Recreation/Community Centres	5	Public Conveniences	7
Municipal Buildings (Surplus)	1	Other Miscellaneous Properties	3
Industrial Estates	1	Depot	1

Vehicles, Plant & Equipment
Included in this category of assets are vehicles, items of play equipment, sports equipment and computer equipment.

Infrastructure Assets
The Council owns various roads and small sewage works, mainly relating to former Council housing developments.

Community Assets
These include the land at Moors Valley Country Park, Stephens Castle, Verwood, and land for open spaces, play areas etc.

13. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total 2016/17
	£000s	£000s	£000s	£000s	£000s	£000's	£000s
Cost or Valuation as at 1 April 2016	**23,543**	**2,994**	**571**	**1,699**	**0**	**2,620**	**31,427**
Additions	54	303	279	18			**654**
Donations							**0**
Revaluations recognised in the Revaluation Reserve	721					1,817	**2,538**
Revaluations recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition – Disposals							**0**
Derecognition – Other	(4,080)					4,080	**0**
Assets Reclassified (to)/from Held For Sale						(223)	**(223)**
Other Movements in Cost or Valuation							**0**
Cost or Valuation as at 31 March 2017	**20,238**	**3,297**	**850**	**1,717**	**0**	**8,294**	**34,396**
Accumulated Depreciation & Impairments as at 1 April 2016	**(516)**	**(1,883)**	**(260)**	**(51)**	**0**	**0**	**(2,710)**
Depreciation Charge for 2016/17	(567)	(257)	(25)			(9)	**(858)**
Depreciation written out to the Revaluation Reserve	348					264	**612**
Depreciation written out to the Surplus/Deficit on the Provision of Services							**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve							**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition – Disposals							**0**
Derecognition – Other	262					(262)	**0**
Other Movements in Deprecation & Impairment							**0**
Accumulated Depreciation & Impairments as at 31 March 2017	**(473)**	**(2,140)**	**(285)**	**(51)**	**0**	**(7)**	**(2,956)**
Net Book Value as at 31 March 2017	**19,765**	**1,157**	**565**	**1,666**	**0**	**8,287**	**31,440**
Net Book Value as at 1 April 2016	**23,027**	**1,111**	**311**	**1,648**	**0**	**2,620**	**28,717**

	Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total 2017/18
	£000s	£000s	£000s	£000s	£000s	£000's	£000s
Cost or Valuation as at 1 April 2017	**20,238**	**3,297**	**850**	**1,717**	**0**	**8,294**	**34,396**
Additions	276	421	55				**752**
Donations							
Revaluations recognised in the Revaluation Reserve	1,239					(394)	**845**
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(7)						**(7)**
Derecognition – Disposals							**0**
Derecognition – Other							**0**
Assets Reclassified (to)/from Held For Sale							
Other Movements in Cost or Valuation							
Cost or Valuation as at 31 March 2018	**21,746**	**3,718**	**905**	**1,717**	**0**	**7,900**	**35,986**
Accumulated Depreciation & Impairments as at 1 April 2017	**(473)**	**(2,140)**	**(285)**	**(51)**	**0**	**(7)**	**(2,956)**
Depreciation Charge for 2017/18	(480)	(271)	(45)			(7)	**(803)**
Depreciation written out to the Revaluation Reserve	337					7	**344**
Depreciation written out to the Surplus/Deficit on the Provision of Services							**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve							**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition – Disposals							**0**
Derecognition – Other							**0**
Other Movements in Deprecation & Impairment							**0**
Accumulated Depreciation & Impairments as at 31 March 2018	**(616)**	**(2,411)**	**(330)**	**(51)**	**0**	**(7)**	**(3,415)**
Net Book Value as at 31 March 2018	**21,130**	**1,307**	**575**	**1,666**	**0**	**7,893**	**32,571**
Net Book Value as at 1 April 2017	**19,765**	**1,157**	**565**	**1,666**	**0**	**8,287**	**31,440**

14. DEPRECIATION & AMORTISATION

For 2017/18, depreciation of £886,648 (£909,482 in 2016/17) was charged using the straight-line method, and based on the following assumed useful lives of assets:

- *Buildings owned by the Council – as advised by the valuer at the time of valuation.*
- *Buildings leased by the Council – the term of the lease.*
- *Public Conveniences – as advised by the valuer at the time of valuation.*
- *Sewage Treatment Works – 20 years.*
- *Children's Play Equipment – 20 years.*
- *Car Park Lighting – 20 years*.

- *Roads – 20 years*
- *Bridge – 19 years*
- *Plant and Equipment – normally 7 years, or a more appropriate period dependent upon the type of asset acquired.*
- *Intangible Assets – 3 years.*

15. IMPAIRMENT LOSSES

Downward valuations of £6,500 (£11,641 2016/17) are included in the asset values as at 31 March 2018. This relates to minor adjustments on four of the Council's car parks.

There are no formal impairments being carried for the assets in the balance sheet.

16. CAPITAL EXPENDITURE

2016/17 £000s		2017/18 £000s
56	**Opening Capital Financing Requirement**	**54**
	Capital Investment	
140	Intangible Assets	74
279	Infrastructure Assets	55
303	Vehicles Plant & Equipment	421
18	Community Assets	0
54	Land & Buildings	276
2,396	Revenue expenditure funded from capital under statute	738
3,190	**Total Capital Investment**	**1,564**
	Sources of Finance	
(488)	Usable Capital Receipts	(250)
(1,605)	Capital Grants and Contributions	(71)
(1,097)	Revenue Funds	(1,243)
(2)	Minimum Revenue Provision	(2)
(3,192)	**Total Capital Financing**	**(1,566)**
54	**Closing Capital Financing Requirement**	**52**
	Explanation Of Movements In Year	
(2)	Decrease In Underlying Need to Borrow (Unsupported)	**(2)**
0	Assets Acquired Under Finance Leases	**0**
(2)	**Increase/(Decrease) In Capital Financing Requirement**	**(2)**

17. CAPITAL COMMITMENTS

As at 31 March 2018, the Council had the following contractual capital commitments:

- Sewerage Treatment Works (£430k);
- Refurbishing Heatherlands Community Centre (282k);
- Priest House Museum (£98k).

18. ASSET VALUATION

Freehold and leasehold properties, which comprise the Council's property portfolio, were valued initially as at 1 April 1994 by an external independent valuer, P.R. Ventham, ARICS, District Valuer, on the bases shown in Note 9 to the Statement of Accounting Policies, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Non-property assets where the cost of acquisition exceeds £15,000 are also included within the Council's Asset Register and are shown at cost less depreciation.

The value of the Council's assets is reviewed regularly by a third party, the District Valuer, as part of a rolling programme of revaluation over a five year period.

In addition, impairment reviews are also carried out at the year end to ensure that assets are not carried in the balance sheet at more than their recoverable amount. Assets are reviewed by the Property, Engineering & Car Parks Manager, Projects & Estates Manager, Financial Services Manager and Group Accountant to identify whether any indications exist that an asset may be impaired at the balance sheet date. If there are no indications of impairment no further work is required. If there is evidence of impairment then a formal revaluation of the asset may be required. There were no indications of impairment as at 31 March 2018.

The basis of valuation is set out in Note 9 to the Statement of Accounting Policies. Valuations as at 1 April 2017 were prepared by Nathan Palmer (BSc (Hons) MRICS).

	Land & Buildings £000s	Vehicles Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at historical cost	0	1,307	0	**1,307**
Valued at current value in:				
2013/14	0	0	0	**0**
2014/15	0	0	0	**0**
2015/16	2,902	0	0	**2,902**
2016/17	1,696	0	0	**1,696**
2017/18	16,532	0	7,893	**24,425**
Total	**21,130**	**1,307**	**7,893**	**30,330**

SURPLUS ASSET VALUATION

The Code requires that surplus assets are measured at Fair Value under IFRS 13, Fair Value Measurement. The fair value of surplus assets is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The approach to fair value measurement looks at the highest and best use for an asset, i.e. a market value based measurement, rather than the reasons why the Council may hold an asset.

The valuation technique applied in respect of the Fair Value figures is the market value approach. This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

For residential properties fair value is based on current market conditions and recent sales prices in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the Fair Value Hierarchy.

Level 2 inputs are those that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

The Fair Value hierarchy as shown below.

Fair Value Hierarchy – Valuation Techniques	
Level 1	Quoted prices in active markets for identical items
Level 2	Other inputs observable for the item
Level 3	Unobservable inputs

The total gross book value, depreciation, revaluation and carrying amount for surplus assets is disclosed in Note 13. The table below lists the classes of asset within the surplus asset category and details their carrying amount and basis of valuation as at 31 March 2018.

Asset Class	**Carrying Value 31.3.17 £k**	**Carrying Value 31.3.18 £k**	**Hierarchy Level**	**Basis Of Valuation**
Land & Buildings Earmarked For Residential Use Asset Class	7,680	7,262	Level 2	Residential development value
Commercial Asset Class	512	524	Level 2	Full Market Rent
Land, Sixpenny Handley	35	45	Level 2	Arable land value
Land, Potterne	60	62	Level 2	Value as allotments
Total Surplus Assets	**8,287**	**7,893**		

19. HERITAGE ASSETS

The Council holds the following heritage assets that are not disclosed on the Balance Sheet because they are judged to be below the de-minimis value of £15,000 for capitalisation:

Barrow at Stephens Castle:

This asset is a Scheduled Ancient Monument and is protected by law as an archaeological site of national importance. The barrow is situated on top of the quarry at Stephen's Castle, and was excavated by archaeologists in the early 20th Century, when human remains dating back to the Iron Age were found. The asset has been held by the Council since 1981.

As an archaeological site the barrow is unique in nature and no active market exists from which to obtain evidence for valuation. For this reason the asset is held at its historic cost of £310, and due to its low value does not appear on the balance sheet of the Council.

Walnut Tree Field:

This asset is a Scheduled Ancient Monument (SAM) and is protected by law as an archaeological site of national importance. The site is part of an old field system and many significant archaeological finds have been made there, dating back to the early Neolithic times. These finds include Neolithic flint tools, Saxon pottery and medieval glazed ceramic roof tiles, which are now housed in the Dorset County Museum. The asset has been held by the Council since 1979.

As an archaeological site the SAM is unique in nature and no active market exists from which to obtain evidence for valuation. For this reason the asset is held at its historic cost of £1, and due to its low value does not appear on the balance sheet of the Council.

Civic Regalia:

The Chairman of the Council wears a silver chain of office when acting as a representative of the Council at public events. The chain is made from silver and enamel and has the names of previous chairmen engraved on its links. As the chain becomes unwieldy, some links relating to previous chairmen are removed and displayed in the Council Chamber.

The Council has made an assessment of the value of this asset based on both its historic cost and the current market value of silver, and judged it to be worth approximately £8,500 which is below the de-minimus value of £15,000 for capitalisation, and so not included on the asset register.

20. INVESTMENT PROPERTIES

Investment Properties are fixed assets held solely to earn rental income or for capital appreciation, or both. The Council does not hold any Investment Properties.

21. ASSETS HELD FOR SALE

Assets held for sale are defined as assets that the Council has plans to dispose of, are available for sale in their current condition, are being actively marketed at a reasonable price in relation to its fair value, and where the sale is likely to take place within one year.

The Council classified 4 Church Street as an asset held for sale as at 31 March 2017. This asset was sold during the 2017/18 financial year. No further assets have been designated as held for sale.

31.3.17 £000's		31.3.18 £000's
0	**Balance Outstanding At Start Of Year**	211
	Assets Newly Classified As Held For Sale:	
223	Property, Plant and Equipment	0
(12)	Revaluation Gains / (Losses)	0
0	Assets Sold	(211)
211	**Balance Outstanding at Year End**	**0**

22. LEASES

The Council as a Lessee – Finance Leases

The Council has procured its biomass boiler under a finance lease. This asset is carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31.3.17 £000's	31.3.18 £000's
Vehicles, Plant, Furniture & Equipment	17	8
Total	17	8

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31.3.17 £000's	31.3.18 £000's
Finance lease liabilities (net present value of lease payments):		
Current	2	2
Non-current	50	48
Finance costs payable in future years	46	42
Total	**98**	**92**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.17 £000's	31.3.18 £000's	31.3.17 £000's	31.3.18 £000's
Not later than one year	7	7	2	2
Later than one year but not later than five years	26	26	9	9
Later than five years	65	59	41	39
Total	**98**	**92**	**52**	**50**

The Council as a Lessee – Operating Leases

The Council uses a range of plant and equipment in carrying out the various services it undertakes that are financed under terms of operating leases: the amount charged to revenue in 2017/18 under these arrangements was £97,528 (£91,259 in 2016/17). The cost of these operating leases in 2018/19 will be £97,528.

The future minimum lease payments due under non-cancellable leases in future years are:

Leases Expiring	31.3.17 £000's	31.3.18 £000's
Not later than one year	0	0
Later than one year but not later than five years	57	88
Later than five years	604	649
Total	**661**	**737**

The Council as a Lessor – Operating Leases

The Council also acts as a lessor by granting leases to third parties for the use of Council land or buildings. The leases are accounted for as operating leases, with the asset remaining under the ownership of the Council and appearing in the Council's Balance Sheet. Any income generated from the lease appears as income in the Comprehensive Income and Expenditure Statement. In many cases, where the lease is granted with another council or community organisation, the lease charged is only a peppercorn and is not the full market rental.

The Council generates the following income from assets that are leased to third parties:

Asset Classification	31.3.17 £000's	31.3.18 £000's
Land & Buildings	92	84
Community Assets	0	0
Infrastructure Assets	2	5
Surplus Assets	22	16
Total	**116**	**105**

23. INSURANCE RESERVES

The insurance reserve covers risks which the Council does not insure with outside insurers, together with any excess on its policies. The material risks include making good damage to Council property caused by subsidence or flooding, professional negligence costs not involving a third party, ex-gratia payments and performance bonds on contracts. There are no material unfunded risks.

	Balance 1.4.16 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 1.4.17 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.18 £000s
Insurance Reserves	(376)	(1)	21	(356)	(32)	33	(355)

24. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement through depreciation and impairment losses charged via the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2016/17 £000s		2017/18 £000s	
(18,620)	**Balance as at 1 April**		**(18,747)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
858	Charges for depreciation and impairment of non-current assets	803	
0	Revaluation losses on Property, Plant & Equipment	7	
52	Amortisation of Intangible Assets	84	
2,396	Revenue expenditure funded from capital under statute	738	
0	Amounts of non-current assets written off on disposal or sale as apart of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	211	

3,306		**1,843**
(241)	Adjusting amounts written out of Revaluation Reserve	(327)
3,065	Net written out amount of the cost of non-current assets consumed in the year	**1,516**
	Capital financing applied in the year	
(488)	Use of Capital Receipts Reserve to finance new capital expenditure	(250)
(473)	Application of grants to capital financing from the Capital Grants Unapplied Account	(30)
(1,132)	Application of grants to capital financing from the Capital Grants Received In Advance Account	(41)
(2)	Statutory provision for the financing of capital investment charged against the General Fund	(2)
(1,097)	Capital expenditure charged against the General Fund	(1,243)
(127)	**Total Movement on Reserve**	**(50)**
(18,747)	**Balance as at 31 March**	**(18,797)**

25. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17			2017/18	
£000s	£000s		£000s	£000s
	(10,146)	**Balance as at 1 April**		**(13,043)**
(3,150)		Upward Revaluation of Assets	(1,662)	
12		Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	473	
	(3,138)			(1,189)
0		Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	

241		Difference between fair value depreciation and historical cost	220	
0		Accumulated gains on assets sold or scrapped	107	
	241			327
	0	Amount written off to the Capital Adjustment Account		0
	(2,897)	**Movement on Reserve**		**(862)**
	(13,043)	**Balance as at 31 March**		**(13,905)**

26. CAPITAL RESERVES

The Usable Capital Receipts Reserve represents the capital receipts generated from the sale of Council-owned assets available to finance capital expenditure in future years.

Capital Grants Received In Advance relates to capital grants and contributions received which have conditions attached that stipulate what the money can be spent on, and these conditions have not yet been met. If the conditions are not met then ultimately the monies may need to be returned to the body awarding the grant or contribution. They are therefore recorded as a liability in the balance sheet.

Capital Grants Unapplied relate to grants received where no conditions are attached and so these sums are at the general disposal of the authority and are recorded as a reserve in the balance sheet.

	Usable Capital Receipts £000s	Capital Grants Received In Advance Current £000s	Long Term £000s	Capital Grants Unapplied £000s
Balance as at 1 April 2016	**(1,625)**	**(1,307)**	**(7)**	**(1,118)**
Amounts Receivable in 2016/17 – Capital Receipts	0	0	0	0
Amounts Receivable in 2016/17 – Capital Grants	0	0	0	0
Amounts Receivable in 2016/17 – S106 Contributions	0	(244)	0	0
Amounts Applied to Finance New Capital Investment	488	1,133	0	473
Reclassification	0	11	0	0
Balance as at 1 April 2017	**(1,137)**	**(407)**	**(7)**	**(645)**
Amounts Receivable in 2017/18 – Capital Receipts	(221)	0	0	0
Amounts Receivable in 2017/18 – Capital Grants	0	0	0	(111)
Amounts Receivable in 2017/18 – S106 Contributions	0	(429)	0	0
Amounts Applied to Finance New Capital Investment	250	41	0	30
Reclassification	0	0	0	0
Balance as at 31 March 2018	**(1,108)**	**(795)**	**(7)**	**(726)**

27. EARMARKED RESERVES & GENERAL FUND

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to meet General Fund expenditure.

	Balance 1.4.16 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.17 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.18 £000s
Grants and Loans Reserves	(178)	(26)	91	(113)	(17)	29	(101)
Repairs and Renewals Reserves	(567)	(167)	117	(617)	(44)	201	(460)
Insurance Reserves	(376)	(1)	21	(356)	(32)	33	(355)
Other Earmarked Reserves	(6,678)	(4,738)	4,833	(6,583)	(4,073)	2,726	(7,930)
Revenue Reserves for Capital Use	(1,516)	(2,002)	535	(2,983)	(951)	679	(3,255)
Total Reserves	(9,315)	(6,934)	5,597	(10,652)	(5,117)	3,668	(12,101)
General Fund	**(992)**	**(1)**	**0**	**(993)**	**0**	**0**	**(993)**

Grants and Loans reserves are maintained to fund loans to individuals or third parties which are repayable over time. The main reserve within this heading is the Rent Deposit Fund.

Repairs and Renewals reserves are maintained for all buildings for which the Council is responsible, and for the replacement of equipment and plant of a revenue or capital nature.

Other Earmarked reserves are held for expenditure which normally occurs on a non-annual basis, such as Local Plan Inquiries and District Elections. The balance as at 31 March 2018 of £7,930 k includes the following amounts:

- *Developer contributions towards heathlands impact mitigation and transport infrastructure £748k;*
- *Community Housing Fund £169k;*
- *Reserves earmarked for funding growth within the District £508k*
- *Funds earmarked for reviewing the Local Plan £190k*
- *Business Rate income reserve £233k for managing fluctuations in income;*
- *Funds set aside to fund local government reorganisation £139k;*
- *Unallocated Funds £4,378k, available to fund corporate priorities;*
- *The remaining £1,565k of Other Earmarked Reserves relates to various funding set aside to meet different Corporate Objectives such as Member Ward Budgets, the Change Fund and Elections.*

28. FUNDS HELD FOR THIRD PARTIES

The Council administers bank accounts totalling £26,500 (£28,415 in 2016/17), in respect of deposits for due performance from various developers and the Chairman's charity: these amounts are included as creditors in the accounts of the Council.

29. BUSINESS IMPROVEMENT DISTRICTS

The Wimborne BID was established on 1 August 2011 and the Ferndown & Uddens BID was established on 1 September 2014. The Council acts as an agent collecting BID levy income on behalf of the two BIDs and distributing this income to each BID when requested by the Board. The Council maintains a separate BID Revenue Account for the transactions relating to each BID, and these transactions are not included in the Council's Comprehensive Income & Expenditure Statement. The balances as at 31st March 2018 relating to the BIDs appear in the Balance Sheet of the authority as summarised in the figures below. More information relating to the BIDs can be found in Accounting Policy 28.

Wimborne BID Revenue Account:

31.3.17 £000s		31.3.18 £000's
	Credits To The Account:	
(4)	Credit From Previous Year	(14)
(108)	Levy Income Raised	(103)
(112)	**Total Credits To The Account**	(117)
	Debits To The Account:	
89	Amounts Paid To The BID	107
4	Amounts Written Off	0
5	Refunds	6
0	Provision For Bad Debts	0
98	**Total Debits To The Account**	113
(14)	**(Surplus) Or Deficit For The Year**	(4)

The surplus is held as a creditor in the Council's Balance Sheet as at 31 March 2018.

Ferndown & Uddens BID Revenue Account:

31.3.17 £000s		31.3.18 £000's
	Credits To The Account:	
0	Credit From Previous Year	(13)
(131)	Levy Income Raised	(137)
(131)	**Total Credits To The Account**	(150)
	Debits To The Account:	
110	Amounts Paid To The BID	133
8	Refunds	6
0	Provision For Bad Debts	0
118	**Total Debits To The Account**	139
(13)	**(Surplus) Or Deficit For The Year**	(11)

The surplus is held as a creditor in the Council's Balance Sheet as at 31 March 2018.

30. RETIREMENT BENEFITS

Participation in a Pension Scheme

As part of the terms and conditions of employment of its officers the Council makes contributions to the cost of post employment benefits. Although these benefits will not actually be payable until employees retire the Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, which is administered by Dorset County Council. It is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. Before 1 April 2014 the scheme was a final salary defined benefit scheme, but after this date it is a career average salary defined benefit scheme. Benefits accrued up to 31 March 2014 are protected and calculated under the final salary method. The scheme is index linked to protect benefits from the effects of inflation.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

Since the operation of the scheme is governed by legislation the Council has no material discretion over payments made to employees, the rate of employers contribution to the pension fund or the type of scheme (e.g. the Council could not decide to change the scheme from an index linked career average salary scheme unless amending legislation was introduced by the government).

Transactions Relating to Post Employment Benefits

In 2017/18 the Council paid into the Pension Fund an employer's contribution of £1,075,000, based on 15.2% of employees' pensionable pay (£741,000 in 2016/17, 14.1%). The current service cost was £1,804,000 (£1,249,000 2016/17).

The Council increased its contributions to 15.2% of employee's pensionable pay from 1 April 2017 for a three-year period as a result of the actuarial valuation of the Fund as at 31 March 2016 (14.1% 2016/17). This contribution rate reflects current pension costs being accrued. To recover the pension deficit that has accumulated over previous years the Council will pay a lump sum of £276,000 in 2017/18, £280,000 in 2018/19 and £286,000 in 2019/20.

Employees also pay between 5.5% and 12.5% of their salary into the fund. In addition, the Council is responsible for all pension payments relating to added years benefits that it has awarded, together with any related increases. In 2017/18 these amounted to £117,785 (£122,400 in 2016/17) and are included in the Finance service segment.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge which the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2016/17 £000s		2017/18 £000s
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,249	Current Service Cost	1,789
0	Past Service Costs	15
0	Settlements/Curtailments	0
36	Administration Costs	36
	Financing & Investment Income & Expenditure	
1,078	Net Interest Expense	925
2,363	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	2,765
	Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
(7,575)	Return On Plan Assets (Excluding amount included in interest expense)	(1,183)
512	Actuarial Gains and Losses Arising On Changes In Demographic Assumptions	0
9,961	Actuarial Gains and Losses Arising On Changes In Financial Assumptions	(3,039)
5,261	**Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(1,457)**
	Movement in Reserves Statement	
(4,222)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,532
	Actual amount charged against the General Fund Balance for pensions in the year	
1,039	Employer's contributions payable to the scheme	1,075

Basis for Estimating Assets and Liabilities

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2017 for the year to 31 March 2018). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The net interest on the defined liability in the year was £925,000 (£1,078,000 in 2016/17).

In estimating the Council's future cashflows the actuary has assumed a past service liability duration of 18 years. The estimated cashflows are used to derive a Single Equivalent Discount Rate. The discount rate derived is such that the net present value of 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).

The RPI increase assumption is set using a Single Equivalent Inflation Rate approach, using notional cashflows as 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 Bank of England implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption that CPI will be 1% per annum below RPI, ie 2.35%. Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale (1.5% above price increases 2016/17).

The Local Government Pension Scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Dorset County Council Fund are based upon the latest full actuarial valuation of the scheme as at 31 March 2016.

The major assumptions used by the actuary were (in nominal terms):

2016/17		2017/18
%		%
21.00	Expected rate of return on assets	5.00
3.60	Rate of increase in inflation - RPI	3.35
2.70	Rate of increase in inflation - CPI	2.35
4.20	Rate of increase in salaries	3.85
2.70	Rate of increase in pensions in payment and deferred pensions	2.35
2.70	Discount rate	2.55

It has been assumed that:

- Members of the scheme 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.
- The proportion of the membership that had taken the option to pay 50% of contributions for 50% benefits at the previous valuation date will remain the same.

Years	Assumed life expectancy from age 65		Years
23.9	Retiring today:	Males	24.0
26.0		Females	26.1
26.1	Retiring in 20 years:	Males	26.2
28.3		Females	28.4

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, ie on an actuarial basis using the projected unit credit method.

	Increase In Assumption £000	Current Assumption £000	Decrease In Assumption £000
Longevity (change by 1 yr)			
Present Value Of Obligation	87,559	84,306	81,177
Projected Service Cost	1,747	1,693	1,641
Pension Increase (change by 0.1%)			
Present Value Of Obligation	85,706	84,306	82,930
Projected Service Cost	1,732	1,693	1,655
Salary Increase (change by 0.1%)			
Present Value Of Obligation	84,408	84,306	84,204
Projected Service Cost	1,693	1,693	1,693
Liability Discount Rate (Change by 0.1%)			
Present Value Of Obligation	82,833	84,306	85,806
Projected Service Cost	1,655	1,693	1,732

The assets held by the Fund as at 31 March 2018, relating to East Dorset District Council, expressed as a proportion of the total assets are set out in the following table:

2016/17 £000	2016/17 Proportion %		2017/18 £000	2017/18 Proportion %
28,226	57	Equities	28,123	54
7,469	15	Liability Driven Investment	6,812	13
4,424	9	Property	5,245	10
558	1	Cash	731	1
2,181	4	Diversified Growth Fund	3,146	6
1,681	3	Infrastructure	1,878	4
8	0	Hedge Fund	0	0
0	0	Multi Asset Credit	2,448	5
5,766	11	Other Bonds	3,647	7
50,313	**100**	**Total**	**52,030**	**100**

Of the asset allocations above:

	% Quoted	% Unquoted
Fixed Interest Government Securities - UK		
Corporate Bonds - UK	7.0	
Equities – UK	23.0	
Equities - Overseas	28.5	
Property	10.1	
Hedge Fund		
Private Equity		2.6
Infrastructure		3.6
Diversified Growth Fund		6.0
Liability Driven Investment		13.1
Multi Asset Credit		4.7
Cash / Temporary Investments		1.2
Net Current Assets – Debtors	0.2	
Net Current Assets - Creditors	0.0	
Total	**68.8**	**31.2**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000s		2017/18 £000s
(30,586)	Balance as at 1 April	(34,808)
	Movement in year:	
(2,898)	Remeasurements of net defined benefit liability	4,222
(2,363)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,765)
1,039	Employer's pensions contributions and direct payments to pensioners payable in the year	1,075
(4,222)	**Total (Increase)/Decrease in Pension Fund Liabilities**	**2,532**
(34,808)	**Balance as at 31 March**	**(32,276)**

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

2016/17 £000s		2017/18 £000s
(74,164)	Balance as at 1 April	(85,121)
	Movement in year:	
(1,249)	Current Service Cost	(1,789)
(2,628)	Interest Cost	(2,273)
(297)	Contributions by scheme participants	(300)
2,672	Benefits Paid	2,153
0	Past Service Costs	(15)
0	Settlements & Curtailments	0
(512)	Gain/(Loss) Arising From Demographic Assumptions	0
(16,464)	Gain/(Loss) Arising From Financial Assumptions	3,039
0	Liabilities Extinguished On Settlements	0
7,521	Experience Loss / (Gain) Defined Benefit Obligation	0
(10,957)	**Total (Increase)/Decrease in Pension Fund Liabilities**	**815**
(85,121)	**Balance as at 31 March**	**(84,306)**

Reconciliation of fair value of the scheme assets:

2016/17 £000s		2017/18 £000s
43,876	Balance as at 1 April	50,313
	Movement in year:	
1,550	Interest Income	1,348
7,575	Return On Plan Assets (Excluding Amount Included In Net Interest Expense)	1,183
741	Employer Contributions	1,075
(2,672)	Benefits Paid	(2,153)
0	Settlement Prices Paid	0
297	Contributions by scheme participants	300
(1,018)	Other Actuarial Gains / (Losses)	0
(36)	Administration Expenses	(36)
6,437	**Total Increase/(Decrease) in Pension Fund Assets**	**1,717**
50,313	**Balance as at 31 March**	**52,030**

The assets of the pension fund, relating to the Council, currently represent 61.7% of liabilities (59.1% 2016/17).

Scheme History

2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s		2017/18 £000s
(67,007)	(77,078)	(74,164)	(85,121)	Present Value of Liabilities	(84,306)
41,833	45,108	43,876	50,313	Fair value of assets in the Local Government Pension Scheme	52,030
(25,174)	**(31,970)**	**(30,288)**	**(34,808)**	Surplus/(deficit) on the scheme	**(32,276)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The deficit on the pension fund is disclosed on the Balance Sheet under long term liabilities; the total of £84.306 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance on the Pension Reserve of £32.276 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions and/or lump sum payments over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £962,000.

The Annual Report of the Dorset County Council Pension Fund is available from Dorset County Council, County Hall, Colliton Park, Dorchester, DT1 1XJ.

31. ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. Employees are normally allowed to carry forward up to five days of untaken leave and up to fifteen hours of flexitime; all leave carried forward at the end of the year is required to be taken by 30 June in the following year.

2016/17 £000s		2017/18 £000s
(72)	**Balance 1 April**	**(72)**
72	Settlement or cancellation of accrual made at the end of the preceding year	72
(72)	Amounts accrued at the end of the current year	(72)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(72)	Balance 31 March	**(72)**

32. PROVISIONS

The following provisions have been made in the accounts for 2017/18. Note 31 contains further detail regarding the provision for accumulated absences.

	Balance 1.4.16 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.17 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.18 £000s
Accumulated Absences	(72)	(72)	72	(72)	(72)	72	(72)
NNDR Appeals	(831)	(57)	495	(393)	(156)	156	(393)
Legal Costs	(168)	(19)	122	(65)	0	0	(65)
Total Provisions	**(1,071)**	**(148)**	**689**	**(530)**	**(228)**	**228**	**(530)**

The NNDR Appeal provision reflects the Council's proportionate share of provisions charged to the Collection Fund relating to both current and backdated appeals by business rate payers. The provision reflects the Council's exposure to appeal costs under the Business Rate Retention Scheme that came into operation on 1st April 2013.

33. DEBTORS

2016/17 £000s		2017/18 £000s
	Amounts falling due in one year:	
100	Government Departments	517
1,088	Other Local Authorities	441
0	NHS Bodies	0
0	Public Corporations	0
1,049	Other Entities And Individuals	1,109
2,237		**2,067**

34. CASH & CASH EQUIVALENTS

2016/17 £000s		2017/18 £000s
188	Cash held by the Council	12
(843)	Bank Current Accounts	(333)
8,551	Short Term Deposits	17,325
7,896		**17,004**

35. CREDITORS

2016/17 £000s		2017/18 £000s
1,080	Government Departments	825
3,797	Other Local Authorities	2,997
1	NHS Bodies	0
0	Public Corporations	0
748	Other Entities And Individuals	1,184
5,626		**5,006**

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer, and are included within Capital Grants Received in Advance in the Balance Sheet. The major balances of section 106 receipts held by the Council during the year were as follows.

	Balance 1.4.16 £000s	Receipts in Year £000s	Payments in Year £000s	Balance 1.4.17 £000s	Receipts in Year £000s	Payments in Year £000s	Balance 31.3.18 £000s
Wimborne Bridge	156	0	(156)	**0**	0	0	**0**
By The Way	60	0	(39)	**21**	0	(3)	**18**
Holmead Heath	43	0	0	**43**	0	0	**43**
North Wimborne SANG	0	0	0	**0**	175	0	**175**
North Wimborne	0	0	0	**0**	30	(30)	**0**
Affordable Housing	0	0	0	**0**	50	0	**50**
Wimborne S106	0	0	0	**0**	174	0	**174**
Three Legged Cross	148	0	(148)	**0**	0	0	**0**
Verwood Local Plan	810	1	(789)	**22**	0	0	**22**
Local Cycleways	38	0	0	**38**	0	0	**38**
Wimborne Town Centre	20	0	0	**20**	0	0	**20**
Wimborne SANG S106	0	173	0	**173**	0	(3)	**170**
Wimborne LEAP S106	0	70	0	**70**	0	0	**70**
Total Receipts	**1,275**	**244**	**(1,132)**	**387**	**429**	**(36)**	**780**

36. FINANCIAL INSTRUMENTS

All financial instruments are shown at fair value. This is assessed as being approximately equal to the carrying amount as set out in Notes 25 and 26 to the Accounting Policies. There is therefore no difference between the carrying amount and fair value. The following financial instruments are included in the Balance Sheet.

2016/17 £000s		2017/18 £000s
	Loans and Receivables - Long Term:	
5	Other Advances	14
	Loans and Receivables - Current:	
1,618	Receivables	1,061
10,009	Short Term Investments	2,004
7,896	Bank Deposits	17,004
19,523	**Total Current Loans & Receivables**	**20,069**
0	Available-for-Sale Financial Assets	0
	Financial Liabilities at Amortised Cost:	
3,530	Payables	2,678
3,530	**Total Financial Liabilities at Amortised Cost**	**2,678**

Employee Car Loans

The Council makes loans for car purchase to employees in the authority. Loans may be taken out for a period of between one to five years depending upon the age of the vehicle that the loan will fund. The maximum car loan available to employees is £10,000. Interest is charged at the Bank of England Base Rate plus 2%.

Cars purchased through an employee loan must be made available for use on official duties.

The transactions relating to car loans are summarised in the table below:

	2016/17	2017/18
	£000s	£000s
Balance as at 1 April	20	14
Car Loans Made	7	31
Repayments	(13)	(13)
Balance as at 31 March	**14**	**32**

Risk Management

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - 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.

These are required to be approved 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. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy for 2017/18, which incorporates the prudential indicators, was approved by Cabinet on 7th February 2017. The key issues within the strategy were:

- The Authorised Limit for in 2017/18 was set at £1.050 million. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £50k. This is the expected level of debt and other long term liabilities during the year, but relates solely to finance lease liabilities identified as a result of International Financial Reporting Standards and IAS17.

The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk and credit risk. These TMPs are a requirement of the Code of Practice and are reviewed annually.

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instruments risks in accordance with CIPFA's Prudential Code.

These activities expose the Council to a number of risks:

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

The Council's risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Under policies approved by the Council in the annual investment strategy written policies to manage these risks are approved.

Credit Risk:

Credit risks arise from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Treasury Policy Statement which limits investments to the following institutions:

(a) The Council's account holding bank for deposits requiring less than 24 hours notice of withdrawal irrespective of its credit rating up to a maximum of £4m

(b) Any bank or building society with a UK branch, with at least the following ratings:

  (i) long term Fitch A-, Moody's A3, S & P A-; and

  (ii) Sovereign Fitch AA, Moody's Aa2, S & P AA

(c) An unrated Building Society with society assets in excess of £250m, only as advised by the Council's Treasury Management Advisors, Arlingclose Limited, up to a maximum investment per institution of £1m for a maximum time period of 100 days. The maximum overall limit for unrated Building Societies will be £3m.

(d) A bank with a long term rating of Fitch BBB+, Moody's BAA1 or S&P BBB+ only as advised by the Council's Treasury Management Advisors, Arlingclose Limited, up to a maximum investment per institution of £1m for a maximum time period of 100 days. The maximum overall limit for Banks in this criterion will be £3m.

(e) Any British Local Authority, whether rated or not, up to a maximum of £2m. The maximum time limit for a Local Authority investment is 364 days.

(f) AAA Rated Money Market Funds, up to a maximum of £2m for Funds with assets up to £1bn, and up to a maximum of £2m for Funds with assets of £1bn or more. The maximum amount that can be placed with a single Money Market Fund provider is £2m. The maximum amount of the Council's total portfolio that can be held with MMFs is £4m. The maximum notice period for a MMF investment is 364 days.

(g) UK Government

The time limit and investment limit for banks and building societies is linked to the credit rating of the counterparty as follows.

Credit Rating (Lowest)	Time Limit	Counterparty Limit
AAA, Aaa, AAA	364 days	£3 million
AA+, Aa1, AA+	364 days	£3 million
AA, Aa2, AA	364 days	£2 million
AA-, Aa3, AA-	364 days	£2 million
A+, A1, A+	364 days	£2 million
A, A2, A	100 days	£2 million
A-, A3, A-	100 days	£2 million

For a counterparty to be eligible for investment they must have a minimum of two ratings from the three rating agencies.

The maximum amount that may be invested with any one non UK country, UK bank, institution, or group of institutions with the same parent is shown in the table above according to the credit rating of the counterparty. There will be no limit for money deposited with the UK Government.

The Council has no historical experience of default on loans made to financial institutions and the maximum exposure is therefore judged to be negligible. The funds invested with the classes of institution at the 31 March were as follows:

2016/17			2017/18	
Amount £000's	**No. of Loans**	**Institution**	**Amount £000's**	**No. of Loans**
2,000	1	Money Market Funds	2,000	1
4,750	4	Banks	3,320	2
0	0	Building Societies	0	0
8,000	4	Local Authorities	2,000	1
3,800	3	UK Debt Management Office	12,000	5
18,550	**12**	**Total**	**19,320**	**9**

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of up to £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

One minor breach of the Council's counterparty criteria occurred during the reporting period involving exceeding the £4m limit for cash held with the Council's own bank. This was authorised by the Section 151 Officer. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Debts due to the Council are recorded as they become due and the item "debtors" in the Balance Sheet represents the amounts due during the year which remain unpaid at the year end, from which a sum is deducted as a provision for bad debts. This provision is calculated by analysing the age of the debts and setting aside an amount dependent on the age of those debts outstanding. The bad debt provisions are calculated as follows:

- Sundry Debtors – calculated as 10% to 90% of debtors outstanding depending upon age
- Housing Benefits – calculated as 95% of total debts outstanding
- Council Tax – calculated as between 5% and 100% of the debt depending upon age
- National Non Domestic Rates – Calculated as between 10% and 100% of the debt depending upon age

The Council does not generally allow credit for customers. As at 31 March 2018 the Council had £680,055 (£269,195 2016/17) of sundry debts outstanding. The outstanding amount can be analysed as follows:

	2017/18
	£000's
Less than 30 Days	370
31 – 60 Days	40
61 – 90 Days	72
91 - 120 Days	8
121 - 180 Days	68
Over 181 Days	122
Total	**680**

Liquidity Risk: The Council models its cash flow to ensure that cash resources are adequate, though not excessive, and that borrowing arrangements and overdraft or standby facilities are available at all times to enable the Council to achieve its business objectives.

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.

Market Risk: The Council monitors the treasury management policies and objectives to ensure that it is not compromised by adverse market fluctuations in the value of the principal sums invested, and will seek to protect the Council from the effects of such fluctuations. The key risks are described below:

- Interest Rate Risk: The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Interest rates are reviewed by the Senior Accountant as part of the ongoing monitoring arrangements to ensure that as far as is possible investments are made so as to maximise the return to the Council having regard to the limits imposed by the Treasury Policy Statement. Borrowings, particularly the spread of loan maturity dates, will be kept under active review by the Senior Accountant to ensure that the Council's exposure to interest rate variations is minimised.
- Price Risk: The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices.
- Foreign Exchange Risk: The Council has no assets or liabilities denominated in foreign currencies and thus has no exposures arising from movements in exchange rates.
- Sensitivity analysis: Income from investments is a significant element of the Council's budget and generated £68,304 in 2017/18 as disclosed in the Comprehensive Income and Expenditure Statement. A variation of 1% in interest rates would either increase or reduce this income by £253,000. The Council's budgeted investment income for 2018/19 is £56,250.

Inflation Risk: Fluctuations in interest rates are managed with a view to containing interest costs, or securing interest revenues, in accordance with the amounts provided in the budgetary arrangements.

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on treasury management activities, are controlled as part of the Council's overall strategy for managing its exposure to inflation.

This is achieved by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates or inflation. The above is subject at all times to the consideration and approval, if required, of any policy or budgetary implications.

Credit and Counterparty Risk: The prime objective of treasury management activities is to be the security of the principal sums invested. Accordingly, counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and investment activities will be limited to the instruments, methods and techniques as set out in the Treasury Management Policy Statement.

The counterparty policy, with respect to those institutions from whom the Council may borrow or with whom funds may be invested is set out in the Treasury Management Policy Statement.

Refinancing Risk: The Council is not currently exposed to any refinancing risk. However, any borrowing, private financing and partnership arrangements subsequently entered into will be negotiated, structured and documented, and the maturity profile of the monies so raised will be managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

Legal and Regulatory Risk: The Council's Monitoring Officer ensures that all of the Council's treasury management activities comply with its statutory powers and regulatory requirements. The Council demonstrates such compliance, if required to do so, to all parties with whom it deals in such activities. The s151 Officer ensures that Counterparties possess the necessary powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and any fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonably possible, seeks to minimise the risk of these impacting adversely on the Council.

Fraud Error Corruption and Contingency Arrangements: The Council identifies the circumstances which may expose it to the risk of loss through fraud, error corruption or other eventualities in its treasury management dealings and maintains suitable systems, procedures and contingency arrangements to this end.

37. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The net debit balance of £36k is made up of East Dorset's share of the NNDR deficit plus amounts for renewable energy totalling a debit of £313k and East Dorset's share of the Council tax surplus of £277k credit.

2016/17 £000s		2017/18 £000s
193	Balance at 1 April	274
81	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated in the year in accordance with statutory requirements	(310)
274	**Balance 31 March**	**(36)**

38. CONTINGENT LIABILITIES

There are no contingent liabilities as at the balance sheet date.

39. EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Statement of Accounts was authorised for issue by the Strategic Director on 31st May 2018.

There are no events after the balance sheet date that require disclosure within the Statement of Accounts.

40. ISSUE OF THE STATEMENT OF ACCOUNTS

The audited Statement of Accounts was issued by the Strategic Director, Ian Milner CPFA, on 27th July 2018.

The Collection Fund

Collection Fund

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

2016/17 Business Rates £000s	2016/17 Council Tax £000s	2016/17 Total £000s		2017/18 Business Rates £000s	2017/18 Council Tax £000s	2017/18 Total £000s
			Income			
0	(66,377)	(66,377)	Council Tax Receivable	0	(69,904)	(69,904)
(21,705)	0	(21,705)	Business Rates Receivable	(21,676)	0	(21,676)
0	0	0	Deferred Amounts From Previous Years	0	0	0
			Apportionment Of Previous Year Deficit:			
(152)	0	(152)	Central Government	(53)	0	(53)
(121)	0	(121)	East Dorset District Council	(43)	0	(43)
(3)	0	(3)	Dorset Fire Authority	(1)	0	(1)
(27)	0	(27)	Dorset County Council	(10)	0	(10)
0	0	0	Dorset Police & Crime Commissioner	0	0	0
(8)	0	(8)	**Transitional Protection Payment**	(369)	0	(369)
(1,096)	0	(1,096)	**Reduction In Appeal Provision**	0	0	0
0	0	0	**Reduction in Bad Debt Provision**	0	0	0
(23,112)	**(66,377)**	**(89,489)**	**Total Income**	**(22,152)**	**(69,904)**	**(92,056)**
			Expenditure			
			Apportionment Of Previous Year Surplus:			
0	0	0	Central Government	0	0	0
0	189	189	East Dorset District Council	0	109	109
0	918	918	Dorset County Council	0	532	532
0	51	51	Dorset Fire Authority	0	29	29
0	141	141	Dorset Police & Crime Commissioner	0	80	80
0	**1,299**	**1,299**		**0**	**750**	**750**
			Precepts, Demands and Shares:			
10,942	0	10,942	Central Government	11,264	0	11,264
8,754	9,521	18,275	East Dorset District Council	9,011	9,955	18,966
1,970	46,537	48,507	Dorset County Council	2,028	49,151	51,179
219	2,549	2,768	Dorset Fire Authority	225	2,615	2,840
0	7,026	7,026	Dorset Police & Crime Commissioner	0	7,208	7,208
260	0	260	East Dorset Share Renewable Energy	229	0	229
22,145	**65,633**	**87,778**		**22,757**	**68,929**	**91,686**
			Charges to Collection Fund			
0	0	0	Write Offs Of Uncollectable Amounts	0	0	0
101	74	175	Increase In Bad Debt Provision	62	77	139
0	0	0	Increase In Appeals Provision	0	0	0
109	0	109	Cost Of Collection	109	0	109
0	1	1	Transitional Protection Payments	0	2	2

0	0	0	Reconciliation Adjustments	0	0	0
210	**75**	**285**		**171**	**79**	**250**
22,355	**67,007**	**89,362**	**Total Expenditure**	**22,928**	**69,758**	**92,686**
(757)	**630**	**(127)**	**(Surplus)/Deficit During Year**	**776**	**(146)**	**630**
831	**(2,432)**	**(1,601)**	**(Surplus)/Deficit B/Fwd 1 April**	**74**	**(1,802)**	**(1,728)**
74	**(1,802)**	**(1,728)**	**(Surplus)/Deficit C/Fwd 31 March**	**850**	**(1,948)**	**(1,098)**

Notes to the Collection Fund

1. PROVISION FOR UNCOLLECTABLE AMOUNTS

The provision for uncollectable amounts is based on a realistic assessment of likely non-collection using the guidelines issued by CIPFA. An assessment is necessary in order to provide a basis for budgeting for losses when setting the Council Tax.

2. COLLECTION OF NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. Under the Business Rates Retention Scheme local authorities keep an element of the business rates that they collect locally, and thus share in the risks and rewards of business decline or growth in their own areas.

The government sets percentages in order to share the business rates collected between the billing authority (40%), the government (50%), the County Council (9%) and the Fire Authority (1%).

As part of the 2017/18 finance settlement the government set a Baseline Funding Level for Business Rates for East Dorset of £1,289,891, which is the amount estimated as required to help fund council services for the year. However, East Dorset's 40% share of the business rates it collects in its area is much more than this baseline funding level and so the Council pays a tariff to the Government of £7,459,957 which was set as part of the 2017/18 finance settlement. This tariff is used to fund authorities who fall below their baseline funding level and so require a "top up". Transactions within the Comprehensive Income & Expenditure Statement (CIES) include the actual business rate income collectable for 2017/18 less any levy payments for additional income collectable in excess of the baseline funding level, and less the tariff payable for the year. However, the amount that the Council can recognise in its General Fund is defined by Statute and the figures within the CIES are adjusted for within the Movement In Reserves Statement to come back to the amount of business rate income estimated as receivable in January proceeding the start of the financial year and the forecast surplus or deficit on the Collection Fund estimated at this time.

The transactions relating to Business Rates in the Collection Fund are restricted to the total actual Business Rates receivable for the year, the shares of business rates collectable as estimated at the start of the year and actually paid to authorities during the year, and certain charges for provisions, write offs and cost of collection. There are also adjustments for previous year's surplus or deficits.

The non-domestic rateable value as at 31 March 2018 was £59,456,610 (£54,275,656 2016/17). The uniform business rate multiplier for 2017/18 was 47.9p (48.4p 2016/17).

The income collectable from business rate payers that is disclosed in the Collection Fund is £21,675,551. This is calculated by taking the rateable values of properties during the year and multiplying this by the uniform business rate multiplier to give a figure of £27,322,414 for business rates payable. This figure is then reduced by £5,646,863 that relates mainly to mandatory and discretionary relief to businesses.

3. DISTRIBUTION OF BUSINESS RATES SURPLUS/DEFICIT

The surplus/deficit on the Collection Fund is apportioned to Dorset County Council, Dorset & Wiltshire Fire & Rescue Authority, Central Government and East Dorset District Council as follows:

2016/17 Distribution £000s		2017/18 Distribution £000s
7	Dorset County Council	76
1	Dorset & Wiltshire Fire & Rescue Authority	9
29	East Dorset District Council	340
37	Central Government	425
74	**Total Collection Fund (Surplus)/Deficit**	**850**

East Dorset District Council's element of the Collection Fund surplus or deficit is shown at the foot of the Balance Sheet as part of the reserves. The surplus or deficit for the other bodies is included within the creditors (for surpluses) or debtors (for deficits) shown on the Balance Sheet**.**

4. CALCULATION OF TAX BASE

Council Tax income derives from charges raised according to the value of residential properties which have been classified into one of eight valuation bands (Band A, the lowest band may also be reduced where the occupant is disabled and is represented in the table below by a notional band AA). The valuations are based on values as at the valuation date of 1 April 1991.

The total number of properties in the District is calculated by counting the number of chargeable dwellings in each band, deducting any allowances for discounts and council tax support and multiplying the result by the proportion of the band in relation to Band D to give the Total Relevant Amount. This is then adjusted for the anticipated collection rate and the number of Ministry of Defence properties to produce the tax base on which the Council Tax for the area is calculated.

The Council estimated the Tax Base for 2017/18 to be 37,043, which was used subsequently in calculating the levels of Council Tax. This figure is derived from the total number of chargeable dwellings in the District, adjusted for dwellings where discounts apply and converted to an equivalent number of band D dwellings. The table below shows the relevant amount for each valuation band:

Band	Relevant Amount
AA	2.7
A	953.4
B	1,576.1
C	5,252.5
D	7,840.8
E	10,518.7
F	6,969.7
G	3,948.6
H	307.3
MOD	48.9
Parish	(1.1)
Average Adj	
Total Relevant Amount	37,417.6

The Relevant Amount is then reduced by 1.0%, to allow for an estimated collection rate of 99%, giving a figure of 37,043 (36,824 2016/17).

5. BAND D CHARGE

After consideration of the financial requirements for the year, the Council set its Council Tax for a Band D property at £212.32 to cover district council net expenditure of £9,870,181 (excluding parish precepts).

6. COLLECTION OF COUNCIL TAX

The Council Tax income included in the Taxation & Non-Specific Grant Income line in the Comprehensive Income & Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carried forward surplus or deficit on the Collection Fund as at 31 March 2018.

This amount is then adjusted for the Authority's share of the surplus or deficit on the Collection Fund as at 31 March 2017 that has actually been distributed or recovered in the current year. The difference between the income included in the Taxation & Non-Specific Grant Income line in the Comprehensive Income & Expenditure Statement and the amount required by Regulation to be debited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement In Reserves Statement.

7. DISTRIBUTION OF COUNCIL TAX SURPLUS/DEFICIT

The surplus/deficit on the Collection Fund is apportioned to Dorset County Council, Dorset Police Authority, Dorset & Wiltshire Fire Authority and East Dorset District Council as follows:

2016/17 Distribution £000s		2017/18 Distribution £000s
(1,282)	Dorset County Council	(1,393)
(190)	Dorset Police & Crime Commissioner	(205)
(69)	Dorset & Wiltshire Fire & Rescue Authority	(73)
(261)	East Dorset District Council	(277)
(1,802)	**Total Collection Fund (Surplus)/Deficit**	**(1,948)**

East Dorset District Council's element of the Collection Fund surplus or deficit is shown at the foot of the Balance Sheet as part of the reserves. The surplus or deficit for the other bodies is included within the creditors (for surpluses) or debtors (for deficits) shown on the Balance Sheet.

Annual Governance Statement

Annual Governance Statement

East Dorset District Council

2017-2018

1. Scope of Responsibility

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

In discharging this overall responsibility, East Dorset District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk. The overall aim of the Council's governance arrangements are to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

East Dorset District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Good Governance Framework 2016. A copy of the authority's code is on our website www.dorsetforyou.gov.uk or can be obtained from;

The Chief Executive
East Dorset District Council

Allenview House
Hanham Road
Wimborne
Dorset
BH21 1AG

The statement explains how East Dorset District Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to carry out an annual review of the effectiveness of its system of internal control and prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led the delivery of appropriate services and value for money. The attainment of sustainable economic, social, and environmental outcomes is a key focus of governance processes and structures.

The system of internal control is a significant part of that framework and is designed to manage risk at 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 on-going process designed to identify and prioritise the risks to the achievement of East Dorset District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Dorset District Council for the year ended 31st March 2018 and up to the date of the approval of the statement of accounts.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the CIPFA/SOLACE Good Governance Framework 2016 and demonstrates how it complies with the principles.

The framework defines the principles that should underpin the governance of the Council. The framework centres on the following 7 principles, with principles A and B permeating the implementation of principles C to G.

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Local Code of Corporate Governance and all other documents that form part of the Governance Framework are available on the authority's website www.dorsetforyou.gov.uk.

The Council describes its vision, aims and objectives for East Dorset and its partnership with Christchurch Borough Council in the Corporate Plan, the Local Plan and the Partnership Development Strategy. In doing so the Council defines outcomes in terms of sustainable economic, social and environmental benefits.

The Council has adopted a Constitution that sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This Constitution includes a scheme of delegation, details the roles and responsibilities of the Council its Members and Committees and also includes codes of conduct for Members and Officers. The Constitution also contains rules and procedures such as the Financial Procedure Rules and the Contract and Procurement procedure rules. The Constitution and its components are regularly reviewed and sets the tone for behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

A Joint Audit Committee operates to provide independent assurance to the Council with Christchurch Borough Council on issues such as the effectiveness of the internal control environment.

The Council aims to ensure that all Members and Officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities effectively. The Council recognises the value of a well-trained, competent workforce.

The Council aims to have clear channels of communication with all sections of the community and other stakeholders, to ensure accountability and encourage open consultation. To support this aim the Council has the skills to ensure appropriate consultancy takes place to enable openness and comprehensive stakeholder engagement.

4. Review of Effectiveness of the Governance Framework

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 review of effectiveness is informed by the work of the Corporate Team (who have responsibility for the development and maintenance of the governance environment), the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

East Dorset District Council’s financial management arrangements conform to the governance requirements of CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government (2015).

Both in year and year-end review processes have taken place to review the effectiveness of the Council’s Governance Framework. In year review mechanisms include:

The Portfolio Holders are experienced Councillors who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. Members are also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.

Scrutiny Committee arrangements were in operation throughout the year through the Scrutiny & Policy Development Committee which met on a regular basis. The Committee reviews decisions and actions taken in connection with the discharge of the Council’s functions and policy committee decisions. The Committee’s work programme supports the Council’s Corporate Plan and policy committees in the development of its budget and policy framework by in depth analysis of policy issues. Issues considered during the year include:

- Planning Service Improvement Plan

- Review of policies
- Changes to the Constitution
- Local Government Reorganisation
- Procurement Regulations
- Capital Strategy 2018/19
- Reserves 2018/19
- Revenue Budget 2018/19

Following the enactment of the Localism Act, East Dorset District Council created The Ethical Governance Committee. This Committee promotes and maintains high standards of conduct in the Council and assists Members in observing the Code of Conduct.

Under the provisions of the Localism Act 2011 and the Members Code of Conduct, in 2017/18 there was 1 Member of the East Dorset District Council reported to the Monitoring Officer for allegations of breach of the Code of Conduct.

As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), the Partnership Democratic and Legal Services Manager (Monitoring Officer) and the Strategic Director - Finance (Chief Financial Officer) meet when required.

The Monitoring Officer role is fulfilled by the Partnership Democratic and Legal Services Manager, who in turn reports to the Strategic Director – Finance (Chief Financial Officer). The Monitoring Officer has access to the Chief Executive and the Corporate Management Team, but is not a member of the Corporate Management Team.

The Strategic Director - Finance also plays an active role in the on-going review and maintenance of the governance arrangements, for example, providing financial support to decision making and supporting and advising the Joint Audit Committee.

The Joint Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2015, the Joint Audit Committee also reviews the effectiveness of the Council's system of internal audit.

Additionally, the Joint Audit Committee reviews and approves the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the external auditor, including the Annual Audit Letter.

The Council's Internal Audit Section operates to the standards set out in the United Kingdom Public Sector Internal Audit Standards, and the Institute of Internal Auditors' Code of Ethics and International Standards. The Internal Audit Charter for the Internal

Audit Service and the strategy for delivering the internal audit plan were agreed by the Joint Audit Committee. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Internal Audit Service works to a risk-based Internal Audit Plan that is approved by the Section 151 Officer, following consultation with Service Unit Heads. The Annual Audit Plan (and progress against it) is reported throughout the year to the Joint Audit Committee and the Corporate Team. This supports and assists management in determining the interventions necessary to optimise the achievement of the intended outcomes of plans and service delivery.

In addition the Internal Audit Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to management and the Joint Audit Committee.

The review and monitoring of strategic risks is undertaken by the Corporate Team and reported regularly to the Joint Audit Committee. Managing risks and performance through robust internal control and strong public financial management.

Grant Thornton’s Audit Findings Report and Annual Audit Letter are considered by the Corporate Team and the Joint Audit Committee on behalf of the Council. The Council ensures that corrective action plans are in place for key issues identified through these reviews.

Services use a range of national and local measures to monitor and report progress to Strategic Directors and Portfolio Holders on delivering their business plans.

The on-going review of the governance arrangements and the control environment included:

INTERNAL AUDIT OPINION

Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.

The opinion concludes on the overall adequacy and effectiveness of the Councils’ framework of governance, risk management and control.

Assurance Rating	Number of Audit Reviews in 2017/18	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	5%
Adequate Assurance - Whilst there is	14	75%

basically a sound system, there are weaknesses which may put some of the system objectives at risk.		
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	3	15%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
N/A – A follow-up review was undertaken on one audit. Although the review concluded that no issues were identified, testing was carried out on a small area of the system and assurance could not be given on the system as a whole.	1	5%
Total Number of Audit Reviews Completed	**19**	
Reviews currently 'work in progress'	2	
Total Number of Audit Reviews to be undertaken in 2017/18	**21**	

19 audit reviews have been finalised and reported in 2017/18. Two audit reviews (Procurement and Public Health – Food Safety) are currently work in progress. It is not considered that the two exceptions will have an adverse impact on the overall opinion for the period.

The Assurance Framework demonstrates that key assurances have been reviewed across all of the Council's services.

In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review.

Based on the work undertaken by Internal Audit during 2017/18, it is the opinion of Internal Audit that:

- managers are aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified.

- The systems and internal control arrangements have generally been adequate.

- Where significant weaknesses were identified during the year, high priority recommendations have been made and accepted by Management. Progress made against the high priority recommendations are monitored quarterly by the Joint Audit Committee.

- Counter fraud arrangements are in place to deter and detect fraud, however, these arrangements require updating.

It is therefore the opinion of Internal Audit that an overall assurance level of ‘adequate’ is given for the adequacy and effectiveness of the Councils’ framework of governance, risk management and control.

- CIPFA/SOLACE checklist is used to assess the Authority’s performance against seven core principles of good governance.

- Annual Management Assurance Statements produced and signed off by Service Unit Heads in respect of governance and internal control issues.

- Review of external audit and other inspection agency reports received during the year, as follows:

(i) Grant Thornton – Annual Audit Letter 2016/17

The Annual Audit Letter was reported to the Joint Audit Committee in November 2017 and summarised the findings from the 2016/17 audit and included the messages arising from Grant Thornton’s audit of the Council’s financial statements and the results of the work undertaken to assess the Council’s arrangements to secure value for money in the use of resources.

The report gave an unqualified opinion confirming that the financial statements were free from material error. The report stated that the financial statements and supporting working papers presented for audit were of a good quality and received by the deadline. The report gave an unqualified conclusion in respect of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

(ii) Grant Thornton - Grant Certification Letter 2016/17

The Grant Certification Letter 2016/17 was reported to The Joint Audit Committee in March 2018 and summarised the External Auditor’s findings from the 2016/17 audit of grants and returns. The audit identified minor errors in the claim that were amended with no need to report them to DWP.

5. Significant Governance Issues

Governance issues can be put into two groups:

(i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

(ii) Issues that the governance framework has identified and which require action to mitigate the exposure of the Council. These are all contained within the Strategic Risk Register.

In the first group there were no elements of the framework for which the judgement is that East Dorset District Council is not compliant.

5.1 Elements of the Governance Framework where Improvement is Necessary

There are currently no elements of the governance framework for which the compliance assessment has identified that some improvements is necessary to provide full assurance.

5.2 Elements from the Strategic Risk Register

The second group are issues that involve a significant financial or reputational risk to the Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. Many of the headings are the same as in previous years although the details change over time.

a) Not responding adequately to a Business Continuity Event.

A significant amount of work has been undertaken in recent years to improve the Council's resilience should an event arise that interrupts our business continuity. It is recognised that not responding adequately to such an event could still have a critical impact upon the Council, although the probability of this happening is reduced through the mitigating actions that have been put in place. Further mitigating actions required include reviewing the Council's data centre resilience measures.

b) Recruitment and Retention

The Council has recognised the increasing difficulty that some specialist areas of work are having in recruiting suitably qualified and experienced members of staff. This is expected to be compounded by Local Government Reorganisation in Dorset. However, given the fact that the Council will be abolished in March 2019 the issue is a short term one.

c) Development Management

Additional pressure and volumes within the Development Management service have increased the risk of delays and the potential for complaints which could result in legal action being taken against the Council. The Council has already put in place significant improvements and control measures to reduce this risk and recognises that this level of improvement must continue and be closely monitored. A Service Improvement Plan was presented to Scrutiny during the year

d) Resilience of ICT Systems

The Council has recognised that the increasing transfer to new ways of working for officers, Members and our stakeholders, places considerable reliance on multiple ICT systems and integrated communication networks. Some of this reliance is placed on third party suppliers. The Council has recognised the risk to the potential interruption to our service delivery and is working to mitigate this risk as much as possible to reduce the impact of temporary interruptions on officers, Members and our stakeholders. Further mitigating actions to be taken include renewal of the ICT Strategy, reviewing data centre resilience arrangements and replacement of legacy servers.

e) Capacity

The Council has recognised that the rapid pace of a change being brought about by LGR is affecting the capacity of some teams. The partnership has identified a number of mitigation controls to support staff as much as possible through what can be a challenging time and will monitor indicators such as staff absence.

D. MCINTOSH	S. FLOWER
CHIEF EXECUTIVE	LEADER OF THE COUNCIL
26 JULY 2018	26 JULY 2018

On behalf of East Dorset District Council.

Independent Auditor's Report to the Members of East Dorset District Council

We have audited the financial statements of East Dorset District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and all notes to the financial statements on pages 22 to 87 and 91 to 94, including a summary of significant accounting policies. 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 in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Who we are reporting to

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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.

Emphasis of Matter - Local Government Reorganisation in Dorset

We draw attention to the disclosures made in note 7 of the Statement of Accounting Policies notes to the financial statements concerning local government reorganisation in Dorset. As stated in note 7 of the Statement of Accounting Policies, the Authority will cease to exist on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority's services, functions, assets and liabilities will transfer to Dorset Council. Our opinion is not modified in respect of this matter.

Other information

The Strategic Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 114, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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 this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter 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; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Director and Those Charged with Governance for the financial statements

As explained more fully in the Responsibility for the Statement of Accounts set out on pages 13 to 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director. The Strategic Director 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 2017/18, which give a true and fair view, and for such internal control as the Strategic Director 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 Strategic Director is responsible for assessing 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 unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Joint Audit Committee is Those Charged with Governance.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the 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 in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Alex Walling
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2 Glass Wharf
Bristol
BS2 0EL
27 July 2018

Glossary

Of Terms

Glossary of Terms

Accounting Policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Assets
Items that are of worth and are measurable in terms of money.

Actuarial Gains & Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
b) the actuarial assumptions have changed.

Billing Authority
This is an authority which has the task of collecting the council tax and business rates from within its geographical area.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Receipts
Income from the sale of assets which can be used to finance additional capital expenditure or pay off debt.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Consistency
The principle that the accounting treatment of like items within an accounting period and from one accounting period to the next is the same.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a) termination of employees' services earlier than expected and

b) termination, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Defined Benefit Scheme
A pension or other retirement benefit scheme where the rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed in the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers as set out in the Local Government (Discretionary Payments) Regulations 1996.

Expected Rate of Return on Pensions Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Events After the Balance Sheet Date
Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

Extraordinary Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Going Concern
The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Impairment of Assets
Where there is reason to believe that the value of a fixed asset has decreased materially in the period, the valuation is adjusted accordingly; this adjustment is known as impairment.

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets
Non-financial fixed assets that do not have physical substance and are controlled by the entity through custody or legal rights. An example of an intangible asset is computer software.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Leasing
A method of financing tangible assets where a rental is paid over a period of time. A Finance Lease involves the payment of the full cost of the asset and at the end of the leasing period the asset will belong to the authority. An Operating Lease involves the payment of a rental for the use of the asset and at the end of the leasing period the asset is returned to the lessor.

Liquid Resources
Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value
The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Assets
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Outturn
The final actual income and expenditure earned or incurred in the financial year.

Past Service Cost
For a defined benefit 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 improvements to, retirement benefits.

Precepts
The method by which a non-billing authority obtains the income it requires to fund its expenditure by making a levy on the relevant billing authorities in its area.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The scheme liabilities at the valuation date relate to:

a) the benefits for pensioners and deferred pensioners (individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing, where appropriate, for future increases; and
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Related Parties
Two or more parties are related parties when at any time during the financial period:

(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or
(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

a) an employer’s decision to terminate an employee’s employment before the normal retirement date; or
b) an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Revenue Expenditure Funded from Capital Under Statute
Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer or the defined benefit scheme of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits
c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Vested Rights
For active members of a defined benefit scheme, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners their preserved benefits and for pensioners, pensions to which they are entitled. Vested rights include related benefits to spouses and other dependents.