West Dorset District Council

Statement of Accounts

Year ended 31 March 2019

Aidan Dunn
Executive Director of Corporate Development and
S151 Officer of Dorset Council

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NARRATIVE STATEMENT

Introduction

West Dorset District Council's financial performance for the year ended 31 March 2019 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to West Dorset District Council.

The Statement of Accounts explain West Dorset District Council's finances during the financial year 2018/19 and its financial position at the end of the year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Statement seeks to clarify the relationship between the Council's financial statements and other financial information West Dorset District Council reports externally.

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. West Dorset District Council does not have material interest in such bodies.

The Statement of Accounts

The Council's Accounts for the financial year 1 April 2018 to 31 March 2019 are set out on the following pages and consist of;

(a) Movement in Reserves Statement - showing the movement in the year on the different reserves held by the Council.

(b) Comprehensive Income & Expenditure Statement - showing the net cost of operational services provided by the Council, and how those services are financed.

(c) Balance Sheet - showing the financial position of the Council on 31 March 2019 compared to the previous year, showing all assets and liabilities of the Council.

(d) Cash flow Statement - detailing the revenue and capital inflows and outflows of cash within the Council's accounts.

(e) Collection Fund - which identifies all transactions relating to the collection of Council Tax and Business Rates, including sums paid to precepting councils and passed to Central Government.

(f) Expenditure and Funding Analysis - The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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

NARRATIVE STATEMENT

Key Facts and Challenges

West Dorset is renowned for the quality of its natural and built environment and this is a key element of the area's identity and prosperity. At 418 square miles West Dorset is the largest of Dorset's districts and the population of around 99,500 is expected to grow by 7% over the next decade. The district is a predominantly rural area supported by small market towns and has a relatively low population density. West Dorset is a popular place to retire and over 28% of residents are aged over 65. Younger people are moving out of the area because of the affordability gap between house prices and wages. The 20-44 age group are significantly under represented compared with the national average. The district falls within the least deprived half of districts in England. Earnings are lower than average and unemployment rates are low compared to the national average. There are a high number of small firms and 10% of those in employment work from home. West Dorset has the highest proportion of employees in knowledge intensive services in Dorset. 31% work in the public sector including 16% who work in the health services. A further 7% currently work in tourism. There is an over reliance on public sector jobs which are susceptible to further cuts. West Dorset has over 44,000 households in the district and this figure is projected to increase by 9% by 2021. The average house price is 7% above the national average. The area has a rich historical environment with around 4300 listed buildings and 71% is covered as part of the Dorset Area of Outstanding Natural Beauty. Most of its spectacular coastline is protected as part of the Dorset and Devon World Heritage Site. The Council needs to make significant cuts to its budget at a time of increasing demand for some front line services.

The Council's Priorities

<u>Contribute to a Stronger Local Economy</u>

Help to stimulate economic growth so that the district offers better jobs and prospects for local people

Increase the number of new homes built within the district

<u>Empower Thriving and Inclusive Communities</u>

Build strong, inclusive and sustainable communities that empower local people to influence and provide the services that matter most to them

Support vulnerable people so that they can live healthy and independent lives

<u>Improve Quality of Life</u>

Enhance the quality of life of people living and working in the district

Safeguard and provide opportunities to enjoy the natural and built environment now and in the future

<u>Develop Successful Partnerships</u>

Create a leaner and more focused organisation to protect the delivery of local services.

Services that are shaped and focused on the needs of our customers

Partnerships that give the county a stronger voice to influence and shape Dorset's prosperity

NARRATIVE STATEMENT

Revenue Transactions

In February 2018 the Council set a balanced revenue budget for the 2018/19 financial year with a gross revenue spend of £52,075,961. After allowing for budgeted income of £42,563,544 the net budget requirement was set at £9,512,417.

During the year, Strategy Committee has monitored the budget on a regular basis, challenging predicted outturns and the suggested actions to address variances.

The General Fund balance (which includes earmarked reserves) has increased by £907,000 as set out in the funding and expenditure analysis.

The revenue outturn and movement in general fund balance for the year are compared to the current budget in the following table.

	Current Budget £'000	Net Expenditure £'000	Variance £'000
Financial Services	2,083	1,799	(284)
Revenues and Benefits	710	540	(170)
Business Improvement	2,089	1,864	(225)
Community Protection	3,829	3,714	(115)
Housing	954	923	(31)
Planning Development Management & Building Control	527	659	132
Community & Policy Development	1,360	1,252	(108)
Economy, Leisure and Tourism	5,364	5,794	430
Assets and Infrastructure	4,040	4,433	393
Democratic Services and Elections	693	671	(22)
Human Resources and Organisational Development	282	240	(42)
Legal Services	459	396	(63)
Net Cost of Services	**22,390**	**22,285**	**(105)**
Other Operating Expenditure	3,639	3,639	0
Financing and Investment Income and Expenditure	(557)	(557)	0
Taxation and Non-Specific Grant Income	(16,194)	(16,194)	0
Surplus on the Provision of Services	**9,278**	**9,173**	**(105)**
Adjustments between accounting and regulatory bases (see below)	(9,278)	(10,080)	(802)
Net increase in General Fund Balance before Transfers to Earmarked Reserves	**0**	**(907)**	**(907)**
Transfers to/(from) Earmarked Reserves and one off use	0	3,657	3,657
Decrease in General Fund Balance for the Year	**0**	**2,750**	**2,750**

NARRATIVE STATEMENT

General Fund (excluding Earmarked Reserves)	
Balance brought forward 1st April 2018	(5,366)
Deficit for the year	2,750
Balance carried forward 31st March 2019	**(2,616)**

In the Movement in Reserves Statement the General Fund Balance includes Earmarked Reserves to comply with the Code of Practice. The Council maintains the General Fund separate from the Earmarked reserves and the split is shown in the table below.

	2017/18	**2018/19**
General Fund	5,366	2,616
Earmarked Reserves	21,408	25,065
Total General Fund Reserves	**26,774**	**27,681**

Adjustments between accounting and regulatory bases are detailed in the Movement in Reserves Statement and represent the differences in the treatment of certain transactions between accounting standards and statutory regulations. The Current Budget figures included above have been amended to eliminate the effect of such adjustments; this has no impact on the overall movement in the General Fund Balance.

Full Council agreed that the General Fund prudent risk based minimum balance should be £1.2m and the maximum £2.4m.

NARRATIVE STATEMENT

Capital Expenditure

The Council sets an annual budget but many of the schemes are long term projects and not completed within the financial year. The Council incurred capital expenditure of £3,155,990 during the year. The Council received direct grants and contributions of £203,572 from national government and other partners, meeting the balance of its capital spending from contributions from corporate projects and capital reserves of £2,952,419. The approved capital programme can cover several years and underspends may be rolled forward to future periods.

Scheme	Original Budget £	Current Budget £	Actual Expenditure £
Purchase of Napoleon House	0	1,884,000	1,883,357
Housing Initiatives	563,445	771,800	396,800
Open Market Home Buy Scheme	40,702	41,250	0
Dorchester Town Centre and Additional Parking	613,991	1,099,582	0
Dorchester Leisure Centre Phase 1 Retention	0	432,951	253,075
West Bay Coast Protection Beach Management Plan	0	40,000	38,783
West Bay Harbour Walls	0	133,235	96,350
West Bay Deep Water Berth	20,545	32,760	0
Lyme Regis Environmental Improvements Phase 4	0	287,698	6,348
Lyme Regis Env Imps Ph 5, feasibility and design	50,000	123,410	44,281
Lyme Regis Environmental Improvements Phase 5	0	300,000	0
Lyme Regis Harbour Office	181,640	439,389	124,385
West Bay Coastal Improvements	3,000,000	500,000	165,000
Shire Hall	0	232,978	97,611
Local Home Ownership Scheme	4,000,000	4,000,000	0
West End Community Hall Grant	0	50,000	50,000
TOTAL	**8,470,323**	**10,369,053**	**3,155,990**

Capital Financing

The Council's policy is to maximise the use of any Government supported borrowing, direct capital grants from Government and capital receipts from the sale of surplus assets, as well as unsupported borrowing when no other sources of finance are available. During 2018/19 the capital programme was financed by the following.

	Financing £'000
Government and other capital grants	204
Borrowing	0
Capital Receipts	2,280
Reserves/Revenue funding of capital expenditure	672
	3,156

Capital Receipts

The Council did not sell any assets during the year. However, the Council did receive £337,041 under an agreement with Aster Housing Association (formerly Synergy) in respect of preserved Right To Buy former Council Houses. These sums are added to the Useable Capital Receipts Reserve to fund future capital expenditure.

Unusual Transactions

There were no unsual transactions.

Borrowings

The Council's total debt with the Public Works Loans Board reduced by £600,000 to £600,000. Details of the maturity profile are set out in Note 19 to the accounts.

NARRATIVE STATEMENT

Changes to Accounting Policies

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

For 2018/19 the changes to accounting standards will not result in a change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

Basis of preparation

The accounts for 2018/19 are prepared in accordance with:
- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2018/19

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2019. This includes an interpretation of the financial statements, including the Group Accounts, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

The Statement of Accounts has explanatory notes, which provide further information.

Changes to Statutory Functions

There were no changes to statutory functions which had a significant impact on the accounts. The Council is seeking to voluntarily share services with other Councils in Dorset to improve resilience and reduce costs.

Compliance with the Code

The Council fully complies with the Code of Practice on Local Authority Accounting in the United Kingdom.

Collection Fund

The average Band D Council Tax in 2018/19 was £1,830, representing an increase of 6.21% over 2017/18. Actual amounts billed total £77.542m of which 98.04% was collected in-year (compared to 98.05% in 2017/18), and after adjustments to the bad debt provision a deficit of £0.416m was incurred. This was offset against the residual surplus in the Council Tax Adjustment Account. The Council also collects Business Rates on behalf of Central Government, Dorset County Council and the Dorset Fire Authority. Actual rates billed total £32.473m of which 97.20% was collected in-year (compared to 97.43% in 2017/18), and after adjustments to the bad debt and appeal provisions a surplus of £0.564m was created. This was offset against the existing deficit held in the Non-Domestic Rates Adjustment Account to be recovered over the next 2 years.

Restatement of Comparatives in Notes 20, 23 and Balance Sheet

Historically the authority separately identified the debtor and creditor position of Collection Fund balances in relation to amounts owed or owing from major preceptors. This is inconsistent with the CIPFA Code which requires a single net position of debtor or creditor for major preceptors as appropriate. Accordingly, the comparative figures for 2017/18 have been restated. The following changes were made

Note 20. Debtors	**Original 17/18**	**Restated 17/18**
Debtors for Local Taxation - Council Tax	3,339	430
Debtors for Local Taxation - NNDR	1,318	578
Other receivable amounts	2,343	846
Provision For Impairment		
Debtors for Local Taxation - Council Tax	(2,472)	(352)
Debtors for Local Taxation - NNDR	(1,135)	(454)
Note 23. Creditors	**Original 17/18**	**Restated 17/18**
Other Payables	(17,170)	(15,177)
Balance Sheet As At 31 March 2018	**Original 17/18**	**Restated 17/18**
Short-term Debtors	5,324	3,331
Short-term Creditors	(19,567)	(17,574)

Pensions

The Balance Sheet shows a net deficit on the pensions reserve of £44.624m as at 31 March 2019, compared to £44.997m at 31 March 2018. It is planned that the deficit, calculated by the Actuary, will be eliminated over the medium term of 20 to 25 years. The amount to be paid into the fund over the following three years is calculated by the Actuary in a triennial valuation. £1,672,000 was charged to the general fund in 2018/19. Current service costs will be shared as part of the cost sharing agreement of the partnership. Further details of the pension scheme are shown in Note 37 to the accounts.

Non Financial Performance

Set out in the table below is a summary of key non financial performance indictors of the Council.

	Actual 2018/19 (full year data)	**Target 2018/19**	**Actual 2017/18 (full year data)**
Average number of working days lost to sickness	7.68 days	7 days	7.35 days
Percentage of creditors paid by BACS	99.95%	95.00%	99.96%

Percentage of non-disputed invoices paid within 30 calendar days	96.75%	95.00%	94.21%
Percentage of Council Tax collected	98.21%	98.00%	98.05%
Percentage of Business Rates collected	97.20%	97.00%	97.43%
Average calendar days to process new housing benefit claims	15.3 days	19 days	21.84 days
Average days to process housing benefit changes of circumstances	4.4 days	7 days	4.53 days
Percentage of "major" planning applications determined within 13 weeks or agreed extension of time	86.67%	60.00%	80.95%
Percentage of "non major" planning applications determined within 8 weeks or agreed extension of time	81.08%	70.00%	87.86%

A full list of Non Financial Performance information can be found within the Business Review Outturn Report and on dorset council website.

Current Economic Climate

The Authority had a robust approach to budgeting and tight budget monitoring through the business review process. The Council has total Earmarked Reserves of £25,065k in addition to the General Fund balance of £2,616k, making a total of £27,681k.

Local Government Reorganisation

On 26 2018 February Sajid Javid, the Secretary of State for Housing, Communities and Local Government gave his approval for plans to create two new unitary councils in Dorset, replacing the existing nine councils. This change will help protect local services, generate further economic growth, reduce costs and provide brand-new, more efficient councils structured around communities. The new councils came into existence on 1st April 2019.

On 1st April most asset, liabilities and activities trasnferred to the new Dorset Council. Some functions and services have been transferred to town and parish councils. Elections to Dorset Council took place on 2nd May 2019. As the functions of the Council are continuing in Dorset Council it is appropriate for the accounts to be prepared on a going concern basis.

Post Balance Sheet Events

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection.

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for West Dorset District Council equates to a potential increase in liabilities of approximately £1.195 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for West Dorset District Council as at 31 March 2019 to be 0.5% of total liabilities. This equates to a potential increase in liabilities of approximately £0.581 million.

West Dorset District Council has adjusted its accounts by the amount estimated using the GAD methodology of £1.195 million.

The Statement of Accounts were authorised for issue by Aidan Dunn on 31 May 2019.

Further Information

Further information about the accounts is available from Financial Services, South Walks House, Dorchester, DT1 1UZ. Interested Members of the Public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts is advertised on the Council's website, Dorsetforyou.com

The accounts will be audited by Deloitte LLP.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Corporate Development for Dorset Council, Aidan Dunn.
- manage its affairs to secure the economic, efficient and effective use of resources, and to safeguard its assets
- approve the Statement of Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial Officer, known as the Executive Director of Corporate Development, is responsible for the preparation of the Authority'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 Chief Financial Officer has:

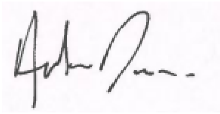
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority code

The Chief Financial Officer is also required to have;

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF THE STATEMENT OF ACCOUNTS 2018/2019

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and its income and expenditure for the year then ended.

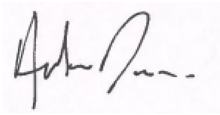


Aidan Dunn

Executive Director of Corporate Development for Dorset Council

Date: 31-May-19

RE-CERTIFICATION PRIOR TO APPROVAL AT AUDIT & GOVERNANCE COMMITTEE



Aidan Dunn

Executive Director of Corporate Development for Dorset Council

Date: 16-Dec-19

Certification by the Chairman of the Audit and Governance Committee

I confirm that these Accounts were approved by the Audit and Governance Committee

Signed on Behalf of West Dorset District Council:

Chair of the meeting approving the accounts: Cllr. M Hall

Date: 17-Dec-19

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements of West Dorset District Council ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 40; and
- the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19).

Basis for qualified opinion

Property, plant and equipment

As at 31 March 2019 and 31 March 2018 property plant and equipment balances were carried at £72.84m and £75.84m respectively.

The Authority has incorrectly netted off land and building revaluation movements where they relate to the same site in the current and prior year. In accordance with the CIPFA code these are required to be treated as separate assets for valuation purposes. We were unable to obtain sufficient appropriate audit evidence about the revaluation reserve and capital adjustment account as at 31 March 2018 and 31 March 2019. Consequently, we were unable to determine whether any adjustments to unusable reserves are necessary.

The Authority has adopted a revaluation cycle in relation to property therefore not all property assets are revalued on an annual basis. We were unable to obtain sufficient appropriate audit evidence about revaluation movements between the most recent valuation dates and the year end. Consequently, we were unable to determine whether any adjustments to the property values were necessary.

The Authority has not accounted for revaluations within the Property, Plant and Equipment note correctly with gross cost and accumulated depreciation being overstated by the same amount in the current and prior year; this is due to movements in revaluations being recoded on the cost/ valuation line only with no adjustment for depreciation to date. There is a potential that this may be material, however the amount cannot be quantified.

Heritage asset

As at 31 March 2019 and 31 March 2018 heritage assets were carried at £3.3m and £3.2m respectively.

The heritage asset included within the balance has been held at cost and has been classified as a heritage asset in the current and prior year. In accordance with the CIPFA code the asset should be held at valuation as an operating heritage asset and therefore is inappropriately valued within the financial statements. A valuation based on the correct classification has not been prepared therefore is it not possible to determine with reasonable certainty the exact value of the property. In these circumstances, we are unable to quantify the effect of the departure from the accounting standard.

Non-Domestic Rates (NDR) Appeals Provision

As at 31 March 2019 and 31 March 2018 the NDR provision was £6.13m and £4.85m respectively

The Authority recognises a provision in relation to their share of the appeals raised against the non-domestic rates it collects on behalf of itself and other entities as part of the Authority's collection fund. We were unable to obtain sufficient appropriate audit evidence about movements in the balance during the year. Consequently, we are unable to conclude that the provisions held are held appropriately in line with the CIPFA code. There is a potential that this may be material, however, the amount cannot be quantified due to the judgemental nature of the balance.

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

Conclusions relating to going concern

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

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified in relation to a number of issues relating to property, plant and equipment. This is also not disclosed in the Narrative Report and accordingly we have concluded that the other information is materially misstated for the same reason.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Dorset District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of West Dorset District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

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

Michelle Hopton (Appointed auditor)
For and on behalf of Deloitte LLP
Bristol, United Kingdom 16 January 2020

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure Chargeable to GF	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in C I E S**		**Net Expenditure Chargeable to GF**	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in C I E S**
1,322	(16)	1,338	Financial Services	1,747	(53)	1,800
389	(180)	569	Revenues and Benefits	392	(148)	540
1,462	(158)	1,620	Business Improvement	1,733	(131)	1,864
3,158	(93)	3,251	Community Protection	3,518	(196)	3,714
409	(64)	473	Housing Services	478	(445)	923
369	(167)	536	Planning Development Management & Building Control	1,118	(134)	1,252
1,928	(42)	1,970	Community & Policy Development	562	(97)	659
3,122	(280)	3,402	Economy, Leisure and Tourism	2,047	(449)	2,496
649	(3,734)	4,383	Assets and Infrastructure	(407)	(5,795)	5,388
659	(23)	682	Democratic Services and Elections	652	(19)	671
236	(24)	260	Human Resources and Organisational Development	219	(20)	239
393	(44)	437	Legal Services	355	(40)	395
14,096	**(4,825)**	**18,921**	**Net Cost of Services**	**12,414**	**(7,527)**	**19,941**
(14,370)	483	(14,853)	Other income and Expenditure	(13,321)	(209)	(13,112)
(274)	**(4,342)**	**4,068**	**Surplus or deficit**	**(907)**	**(7,736)**	**6,829**
(26,500)			**Opening Balance General Fund 1st April**	**(26,774)**		
(274)			**(Surplus)/Deficit for the year**	**(907)**		
(26,774)			**Closing Balance General Fund 31st March**	**(27,681)**		

The accompanying notes form part of these financial statements

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. This statement follows the organisational structure of the authority.

2017/18				2018/19		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
2,550	(1,212)	1,338	Financial Services	2,673	(873)	1,800
29,023	(28,454)	569	Revenues and Benefits	26,238	(25,698)	540
2,374	(754)	1,620	Business Improvement	2,306	(442)	1,864
3,851	(600)	3,251	Community Protection	4,060	(346)	3,714
986	(513)	473	Housing	1,585	(662)	923
1,645	(1,109)	536	Community & Policy Development	1,594	(342)	1,252
2,089	(119)	1,970	Planning Development Management & Building Control	1,826	(1,167)	659
4,886	(1,484)	3,402	Economy, Leisure and Tourism	4,330	(1,834)	2,496
9,993	(5,610)	4,383	Assets and Infrastructure	11,200	(5,812)	5,388
1,072	(390)	682	Democratic Services and Elections	708	(37)	671
260	0	260	Human Resources and Organisational Development	240	(1)	239
639	(202)	437	Legal Services	625	(230)	395
59,368	**(40,447)**	**18,921**	**Cost of Services**	**57,385**	**(37,444)**	**19,941**
4,163	(1,100)	3,063	Other Operating Expenditure (Note 12)	3,976	(337)	3,639
1,313	(1,887)	(574)	Financing and Investment Income and Expenditure (Note 13)	2,071	(2,628)	(557)
77	(17,419)	(17,342)	Taxation and Non-Specific Grant Income (Note 14)	0	(16,194)	(16,194)
64,921	**(60,853)**	**4,068**	**(Surplus) or Deficit on the Provision of Services**	**63,432**	**(56,603)**	**6,829**
		(189)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(568)
		1,279	(Surplus)/Deficit on Revaluation of Available-for-Sale Financial Assets			0
		(7,606)	Remeasurement of the net defined benefit liability			(2,474)
		(6,516)	**Other Comprehensive (Income) and Expenditure**			**(3,042)**
		(2,448)	**Total Comprehensive (Income) and Expenditure**			**3,787**

The accompanying notes form part of these financial statements

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line 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 Balance for Council Tax setting purposes. The Net Increase or (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance as at 31 March 2017	**26,500**	**6,736**	**0**	**33,236**	**36,788**	**70,024**
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure 2017/18	(4,068)	0	0	**(4,068)**	6,516	**2,448**
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,342	1,100	0	**5,442**	(5,442)	**0**
Increase/(Decrease) in 2017/18	**274**	**1,100**	**0**	**1,374**	**1,074**	**2,448**
Balance as at 31 March 2018 carried forward	**26,774**	**7,836**	**0**	**34,610**	**37,862**	**72,472**
Movement in Reserves during 2018/19						
Total Comprehensive Income and Expenditure 2018/19	(6,829)	0	0	**(6,829)**	3,042	**(3,787)**
IRFS 9 Transition	0	0	0	**0**	94	**94**
Adjustments between accounting basis and funding basis under regulations (Note 7)	7,736	(2,612)	0	**5,124**	(5,124)	**0**
Increase/(Decrease) in 2018/19	907	(2,612)	0	**(1,705)**	(1,988)	**(3,693)**
Balance as at 31 March 2019 carried forward	**27,681**	**5,224**	**0**	**32,905**	**35,874**	**68,779**

The accompanying notes form part of these financial statements

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

RESTATED **31 March 2018 £'000**			**Notes**		**31 March 2019 £'000**
		Property, Plant & Equipment	15		
34,615		Other Land and Buildings			34,863
58		Vehicles, Plant, Furniture and Equipment			39
40,923		Infrastructure			37,197
246		Surplus Assets			738
75,842					72,837
3,227		Heritage Assets	16		3,324
352		Investment Property	17		150
410		Intangible Assets	18		410
9,331		Long-term Investments	19		10,584
6,688		Long-term Debtors	19		5,628
95,850		**Long-term Assets**			92,933
38,005		Short-term Investments	19		36,637
22		Inventories			27
3,331		Short-term Debtors	20		4,867
4,178		Cash and Cash Equivalents	21		6,257
45,536		**Current Assets**			47,788
(605)		Short-term Borrowing	19		(602)
(17,574)		Short-term Creditors	23		(20,573)
(5,138)		Provisions	24		(6,143)
(23,317)		**Current Liabilities**			(27,318)
(600)		Long-term Borrowing	19		0
(44,997)		Pension Liability	37		(44,624)
(45,597)		**Long-term Liabilities**			(44,624)
72,472		**Net Assets**			**68,779**
		Usable Reserves	25		
	5,366	General Fund		2,616	
26,774	21,408	Earmarked Reserves	11	25,065	27,681
7,836		Capital Receipts Reserve			5,224
34,610					32,905
		Unusable Reserves	26		
8,966		Revaluation Reserve			9,451
854		Available-for-Sale Financial Instruments Reserve			0
0		Pooled Funds Adjustment Account			1,029
(44,997)		Pensions Reserve			(44,624)
72,443		Capital Adjustment Account			69,198
1,144		Deferred Capital Receipts Reserve			1,140
(434)		Collection Fund Adjustment Account			(216)
(114)		Accumulated Absences Account			(104)
37,862					35,874
72,472		The accompanying notes form part of these financial statements			**68,779**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2017/18 Restated £'000		**2018/19 £'000**
(4,068)	Net Surplus or (Deficit) on the Provision of Services	(6,829)
10,275	Adjustments to Net Surplus or Deficit on Provision of Services for non-cash movements. (Note 27)	10,571
(2,632)	Adjustments for items included in Net Surplus or Deficit on Provision of Services that are investing and financing activities. (Note 27)	(3,168)
3,575	Net Cash Flows from Operating Activities (Note 27)	**574**
(13,871)	Investing Activities (Note 28)	(334)
1,552	Financing Activities (Note 29)	1,839
(8,744)	Net Increase or (Decrease) in Cash	**2,079**
12,922	Cash and Cash Equivalents at the beginning of the reporting period	4,178
4,178		6,257

The cashflow statement in the prior year omitted the opening cash balance and other reconiling items and has therefore been restated.

The accompanying notes form part of these financial statements

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These regulations require the Statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by the International Financial Reporting Standards (IFRS).

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.

ii. 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.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. 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 short term investments held for cash flow purposes that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

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

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

IFRS 9 and 15 have been adopted within the year. The impact has been disclosed separately where appropriate.

vi. 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations 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.

vii. 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) 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, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday 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 appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Dorset County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Dorset County Council pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return of 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:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pensions liability is analysed into seven components:
  - *current service cost* - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - *past service cost* - the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
  - *interest cost* - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - *expected return on assets* - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - *gains or losses on settlements and curtailments* - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- *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 - debited or credited to the Pensions Reserve
- *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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are 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.

viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - 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.

ix. Financial Instruments

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

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables - assets that have fixed or determinable payments 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 most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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-ring-fenced 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement Districts

A Business Improvement District (BID) scheme applies to the Dorchester Town Council area. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as the agent for the BID body in its role as billing authority for the levy.

Section 106 Agreements

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. Such receipts are treated as third party contributions in accordance with the above policies. During 2017/18 the treatment of S106 monies was reviewed. As there are conditions, there was been a change in accounting policy and the sums will be held as a creditor until such time as the conditions have been met. When this occurs they will be recognised in the Comprehensive Income and Expenditure Statement.

xi. Heritage Assets

Tangible Heritage Assets

The Council's only Heritage Assets are the Old Crown Court and Cells, which are contained within the Council's former main office building in Dorchester, Stratton House. These are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured at cost. The Council's Heritage Assets are accounted for as follows:

Old Crown Court and Cells, Dorchester

The Council does not consider that reliable cost or valuation information can be obtained for the historic fittings within the courtroom. This is because of the diverse nature of the assets held and the lack of comparable market values. Additional expenditure is carried at historic cost.

xii. 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

The Council holds through custody or legal rights intangible fixed assets in the form of Market Charters. These are valued at the readily ascertainable market value based on the income generated by the sites and are subject to an annual impairment review.

Impairment losses are posted to the relevant service line 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 in Reserves Statement and posted to the Capital Adjustment Account.

xiii. Interests in Companies and Other Entities

The Council has no interests in any companies, but does have an interest in the Dorchester Markets Joint Committee.

The Dorchester Markets Joint Committee is a joint committee of West Dorset District Council and Dorchester Town Council which has responsibility for the running of the Wednesday and Sunday markets at the Fairfield site in Dorchester. This committee is a subsidiary of the District Council, as the District Council is entitled to a 65% share of the surplus income from the committee and may elect 8 of the 14 committee members. The entity accounts include the Council's share of the Market Committee's income and expenditure.

In view of the fact that the income and expenditure, and assets and liabilities, of the committee are not considered to be material to the District Council, the decision has been made not to consolidate the results of this subsidiary with the results of the Council for this financial year. This decision will be reviewed annually, with consolidation occurring in the event of the committee's results becoming material to the District Council.

xiv. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average 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.

xv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers 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 its share of income it earns from the activity of the operation.

The Authority is involved in two such operations - the Revenues and Benefits Partnership with Weymouth and Portland BC and Purbeck DC (which administers Council Tax, Business Rates and Housing Benefits) and the Shared Services Partnership with Weymouth and Portland Borough Council and North Dorset DC.

xvii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit, in proportion to the benefits received.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the 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 (ie 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 condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. The Council applied a deminimus level of £10,000 in respect of capitalisation of assets.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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. Where a valuation is completed it is as at 1 April of the relevant financial year.

Where decreases in value are identified, they are accounted for by:

- 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 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 by:

- 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 in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant, Furniture and Equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure - straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously 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 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 an 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and 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 in Reserves Statement.

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

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxi. 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, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the notes to the accounts.

xxii. 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 to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv. Componentisation

The Code requires the Council to separate the recognition, depreciation and de-recognition of two or more major components of non-current assets, where the useful lives are estimated to be substantially different, in accordance with IAS 16. Under the code, componentisation is prospective. Components with material separate useful lives will be identified at the next valuation and depreciation calculated separately when a component is enhanced or replaced. Componentisation will only be applied to significant components of material items of Property, Plant and Equipment. Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of total non current assets as at 31.3.12) and the component is at least 20% of the non-current asset.

xxv. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows.

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2. Inputs other than quoted prices including within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Unobservable inputs for the asset or liability.

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

The Council is required to disclose information relating to the impact of 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:

Amendments to IAS40 Investment Property: Transfers of Investment Property

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

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

All of these standards will be incorporated into the Code from 2019/20 and will be complied with by the Council. However, none have material impact for the Council and none warrant specific disclosure in these accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

(i) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Dorset Councils partnership, Stronger Together transformation project, is working towards maintaining services whilst meeting the challenge of reducing funding levels.

(ii) Consideration has been given to the relationship with all potential entities and the related party transactions are shown within Note 34 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.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate means that the useful lives assigned to assets may be less if there are insuffcient funds to maintain the level of maintenance.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. There would be an increased charge to cost of services for depreciation.
Property, Plant and Equipment	Assets are re-valued by an external valuer on a periodic basis. The result of these valuations can see the value of the Council's assets increase or decrease depending on a number of factors such as current market conditions.	The Council will need to show a loss or gain on disposal of an asset if the carrying value is different to the receipt obtained at the time of the sale.
Business Rates	The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. As billing authority, the Council has to make provision for refunding rate payers who have successfully appealed against the rateable value of their property on the rating list. Making a reliable assumption on the level of successful appeals is difficult. Due to Local Government Reorganisation there has been a loss of knowledge relating to the judgements and estimates in relation to the March 2019 provision. Management will be taking a detailed review of the provision in relation to March 2020.	Failure to accurately predict the level of refunds would have an impact on the General Fund and other preceptors.

NOTES TO THE ACCOUNTS

Distribution of Collection Fund Balances	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.	Any distribution of the balances held on the Collection Fund will impact directly on the Council's General Fund balances. Any deficit for example, will need to be made good in future periods.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured and are set out in a sensitivity analysis in the IAS19 report from the Actuary. However, the assumptions interact in complex ways.
Housing Benefits	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 subsidy claim is complex and errors in individual cells could have a significant impact on the overall claim	The effects on the net pension liability of changes in individual assumptions can be measured and are set out in a sensitivity analysis in the IAS19 report from the Actuary. However, the assumptions interact in complex ways.
Income	The Council relies heavily on fees and charges to balance its budget.	A reduction in income of £41,782.20 is the equivalent of a £1 increase in Council Tax for a Band D property.
Debtors	At 31 March 2019, the Authority had a balance of sundry debtors for £2,170,192. An impairment provision has been made based on the number of days the debt has been outstanding. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, there would be a greater charge to the Comprehensive Income and Expenditure Statement for uncollected debts.

5. ADDITIONAL ITEMS OF INCOME AND EXPENSE

The following material items of Income and Expense are not disclosed on the face of the Comprehensive Income and Expenditure Statement :-

The Council received £337,041 in 2018/19 from The Astor Group under the preserved Right To Buy scheme for its former Council Housing Stock.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by Aidan Dunn on 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection.

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for West Dorset District Council equates to a potential increase in liabilities of approximately £1.195 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for West Dorset District Council as at 31 March 2019 to be 0.5% of total liabilities. This equates to a potential increase in liabilities of approximately £0.581 million.

West Dorset District Council has adjusted its accounts by the amount estimated using the GAD methodology of £1.195 million.

On 1st April 2019 all the functions and services of West Dorset DC transferred to a new organisation, Dorset Council, under Local Government re-organisation in Dorset Council. As the functions of the Council are continuing in Dorset Council it is appropriate for the accounts to be prepared on a going concern basis.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19

	Adjustment for Capital Purposes (Note a) £'000	Net change for the pension adjustment (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Financial Services	76	(129)	0	(53)
Revenues and Benefits	0	(148)	0	(148)
Business Improvement	0	(131)	0	(131)
Community Protection	(125)	(71)	0	(196)
Housing	(397)	(48)	0	(445)
Planning Development Management & Building Control	0	(134)	0	(134)
Community & Policy Development	(50)	(47)	0	(97)
Economy, Leisure and Tourism	(358)	(91)	0	(449)
Assets and Infrastructure	(5,700)	(95)	0	(5,795)
Democratic Services and Elections	0	(19)	0	(19)
Human Resources and Organisational Development	0	(20)	0	(20)
Legal Services	0	(40)	0	(40)
	(6,554)	(973)	0	(7,527)
Other income and expenditure	340	(1,128)	579	(209)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	**(6,214)**	**(2,101)**	**579**	**(7,736)**

Adjustments between Funding and Accounting Basis 2017/18 (Comparative)

	Adjustment for Capital Purposes (Note a) £'000	Net change for the pension adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Financial Services	76	(92)	0	(16)
Revenues and Benefits	0	(180)	0	(180)
Business Improvement	0	(158)	0	(158)
Community Protection	0	(93)	0	(93)
Housing	0	(64)	0	(64)
Planning Development Management & Building Control	0	(167)	0	(167)
Community & Policy Development	0	(42)	0	(42)
Economy, Leisure and Tourism	(170)	(110)	0	(280)
Assets and Infrastructure	(3,619)	(115)	0	(3,734)
Democratic Services and Elections	0	(23)	0	(23)
Human Resources and Organisational Development	0	(24)	0	(24)
Legal Services	0	(44)	0	(44)
	(3,713)	(1,112)	0	(4,825)
Other income and expenditure	2,240	(1,267)	(490)	483
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	**(1,473)**	**(2,379)**	**(490)**	**(4,342)**

(a) Adjustment for capital purposes adds in depreciation, impairment and revaluation gains/losses in the service line, as well as an adjustment for capital disposals within other operating expenditure, the statutory charge for capital financing (MRP) within financing and investment income, and capital and revenue grants in taxation and non specific grant income and expenditure.

(b) The net change for pension adjustments removes pension contributions and adds in IAS19 expenditure and income. For services this represents the removal of employer pension contributions and replace with current service costs and past service costs. For financing and investment income and expenditure this is the net interest on the defined liability.

(c) Other differences include the timing difference between recognition of discounts and premium in financing and investment income and expenditure and the timing differences on recognition of council tax and NDR receipts.

8. SEGMENTAL INCOME NOTE

	Income from Services 2017/18 £'000	Income from Services 2018/19 £'000
Harbours	(351)	(416)
Licensing	(201)	(226)
Planning Development Management & Building Control	(1,109)	(1,292)
Parking Services	(3,980)	(3,932)
Economy, Leisure and Tourism	(1,134)	(1,414)
Housing	(513)	(856)
Assets and Infrastructure	(1,629)	(1,938)
Housing Benefit Grants	(27,892)	(24,548)
Land Charges	(188)	(225)
Business Improvement	(754)	(4)
Elections	(371)	(39)
Community Protection	(399)	(137)
Local Taxation Costs	(563)	(449)
Other	(159)	(1,179)
Section 106 Receipts	(1,204)	(789)
	(40,447)	(37,444)

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	11,188	11,084
Other services expenses	46,301	45,008
Support Services recharges	0	0
Depreciation, amortisation and impairment	4,758	2,758
Interest Payments	47	943
Precepts and levies	3,726	3,976
Gain on disposal of assets	(1,099)	(337)
Total Expenditure	**64,921**	**63,432**
Income		
Fees and Charges	(13,213)	(11,021)
Interest and Investment Income	(1,916)	(2,016)
Income from council tax and non-domestic rates	(12,498)	(13,614)
Government Grants and Contributions	(33,226)	(29,952)
Total Income	**(60,853)**	**(56,603)**
Surplus or deficit on the provision of services	**4,068**	**6,829**

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	Usable Reserve	
	General Fund Balance	Capital Receipts Reserve
	£'000	£'000
2018/19		
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pensions costs (transferred to (or from) the Pensions Reserve)	2,101	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(217)	0
IFRS 9 Transition	(353)	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(9)	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,834	0
Total Adjustments to Revenue Resources	**8,356**	**0**
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(337)	337
Deferred Capital Receipts on receipt of cash	(3)	3
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(76)	0
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	0	0
Total Adjustments between Revenue and Capital Resources	**(416)**	**340**
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital Expenditure	0	(2,952)
Application of capital grants to finance capital expenditure	(204)	0
Total Adjustments to Capital Resources	**(204)**	**(2,952)**
TOTAL ADJUSTMENTS	**7,736**	**(2,612)**

Comparative 2017/18

Adjustments to the Revenue Resources	General Fund Balance	Capital Receipts Reserve
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:	**£'000**	**£'000**
Pensions costs (transferred to/or from the Pensions Reserve)	2,379	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	480	0
Holiday pay (transferred to the Accumulated Absences Reserve)	10	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,807	0
Total Adjustments to Revenue Resources	**8,676**	**0**
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,100)	1,100
Deferred Capital Receipts on receipt of cash	4	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(76)	0
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(1,580)	0
Total Adjustments between Revenue and Capital Resources	**(2,752)**	**1,100**
Adjustments to Capital Resources		
Application of capital grants to finance capital expenditure	(1,582)	0
Total Adjustments to Capital Resources	**(1,582)**	**0**
TOTAL ADJUSTMENTS	**4,342**	**1,100**

11. TRANSFERS TO/FROM EARMARKED RESERVES

This note 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 from the earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
Destination Management System	(45)	45	(24)	(24)	24	(22)	(22)
Partnership Reserve	(487)	0	0	(487)	0	0	(487)
Section 106 Reserve (Revenue)	(85)	15	(42)	(112)	38	(34)	(108)
Treasury Management	0	0	(1,190)	(1,190)	0	(1,039)	(2,229)
Legal	(114)	0	0	(114)	0	0	(114)
Neighbourhood Planning Grant	(70)	29	(85)	(126)	0	(13)	(139)
Planning Delivery Grant	(721)	721	0	0	0	0	0
Dorchester Car Boot	(21)	5	0	(16)	0	(6)	(22)
West Bay Car Boot	(13)	4	0	(9)	9	0	0
Corporate Projects Reserve	(12,617)	2,805	(1,028)	(10,840)	1,865	(2,857)	(11,832)
Revenues & Benefits Partnership	(700)	135	0	(565)	29	0	(536)
Property Maintenance	(597)	23	0	(574)		(11)	(585)
Housing	(282)	89	(131)	(324)	127	(124)	(321)
Invest to Save	(558)	14	(7)	(551)	335	(51)	(267)
Dorchester Market North Linneys	(40)	12	0	(28)	20	0	(8)
Business Rate Retention Accounting	(1,215)	0	(1,080)	(2,295)	0	(716)	(3,011)
Transferred Services Reserve	(150)	0	0	(150)	0	(1,000)	(1,150)
Health & Wellbeing	(7)	7	(1)	(1)	1	0	0
Grants Received	(166)	136	(124)	(154)	54	(78)	(178)
IT Systems & Equipment	(676)	0	0	(676)	0	0	(676)
Vehicle Replacement	(87)	0	0	(87)	0	0	(87)
Transformation Challenge Award	(775)	393	0	(382)	90	0	(292)
Re-structuring	(350)	0	0	(350)	0	0	(350)
Development Services Improvement Plan	(79)	0	0	(79)	0	0	(79)
Direct Leasing	(35)	17	(47)	(65)	66	(121)	(120)
Local Plan	(210)	0	0	(210)	0	0	(210)
West Bay Inner Dredging	(101)	85	(67)	(83)	3	(51)	(131)
Dorchester Sports Centre Artificial Turf	(125)	0	(25)	(150)	0	(25)	(175)
Dorset For You	(250)	0	(162)	(412)	178	0	(234)
Community Housing Fund	(1,365)	166	0	(1,199)	105	0	(1,094)
Community Infrastructure Levy Reserve	0	0	(155)	(155)	155	(608)	(608)
TOTAL	**(21,941)**	**4,701**	**(4,168)**	**(21,408)**	**3,099**	**(6,756)**	**(25,065)**

12. OTHER OPERATING EXPENDITURE

	2017/18	2018/19
	£'000	£'000
Parish council precepts	3,726	3,976
(Gains)/losses on disposal of non-current assets	(663)	(337)
TOTAL	**3,063**	**3,639**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18	2018/19
	£'000	£'000
Interest payable and similar charges	46	943
Net Pension interest costs	1,267	1,128
Interest receivable and similar income	(21)	(14)
Other investment income	(1,866)	(2,614)
TOTAL	**(574)**	**(557)**

14. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18	2018/19
	£'000	£'000
Council tax income	(9,432)	(10,024)
Non-domestic rates income and expenditure	(3,066)	(3,590)
Non-ring-fenced government grants	(3,081)	(2,268)
Collection Fund Surplus	(182)	(108)
Capital grants and contributions	(1,581)	(204)
TOTAL	**(17,342)**	**(16,194)**

15. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2018/19

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	36,165	422	84,749	275	0	**121,611**
Additions	2,007	0	352			**2,359**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(125)			260		**135**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,037)			(8)		**(1,045)**
Disposals		(123)				**(123)**
Reclassification	(43)			245		**202**
At 31 March 2019	**36,967**	**299**	**85,101**	**772**	**0**	**123,139**
Accumulated Depreciation and Impairment						
At 1 April 2018	(1,550)	(364)	(43,826)	(29)	0	**(45,769)**
Depreciation charge	(1,016)	(20)	(4,078)	(6)		**(5,120)**
Depreciation written out to the Revaluation Reserve	463	123		10		**596**
At 31 March 2019	**(2,103)**	**(261)**	**(47,904)**	**(25)**	**0**	**(50,293)**
Net Book Value						
At 31 March 2019	**34,864**	**38**	**37,197**	**747**	**0**	**72,846**
At 31 March 2018	**34,615**	**58**	**40,923**	**246**	**0**	**75,842**

Comparative Movements in 2017/18

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2017	36,615	422	84,120	272	124	**121,553**
Additions			629			**629**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(124)			3		**(121)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services						**0**
Disposals	(450)					**(450)**
Other movements	124				(124)	**0**
At 31 March 2018	**36,165**	**422**	**84,749**	**275**	**0**	**121,611**
Accumulated Depreciation and Impairment						
At 1 April 2017	(874)	(340)	(39,788)	(23)	124	**(40,901)**
Depreciation charge	(703)	(24)	(4,038)	(6)		**(4,771)**
Depreciation written out to the Revaluation Reserve	27					**27**
Derecognition - disposals	0	0	0		(124)	**(124)**
At 31 March 2018	**(1,550)**	**(364)**	**(43,826)**	**(29)**	**0**	**(45,769)**
Net Book Value						
At 31 March 2018	**34,615**	**58**	**40,923**	**246**	**0**	**75,842**

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Offices and other operational buildings: 10 - 50 years.
- Depots, Recycling Centres, and Public Conveniences: 15 - 30 years.
- Infrastructure: 20 years.
- Vehicles, Plant and Equipment: 3 - 5 years.

Capital Commitments

As at 31 March 2019 the Council had contractural commitments in Lyme Regis Harbour totalling £319,186.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out externally by consultants GVA Grimley Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. During 2018/19 they were acquired by Avison Young Ltd who took over the valuation contract. During the year the assets valued included public conveniences, West Bay road depot and surplus assets. The valuation date was 1st April 2018.

Impairment Review

An impairment review was carried out by G. Northcote, RICS, Estates Manager. Whilst there were no physicial impairments identified, a general review of the fair value of other assets identified a change in value for economic reasons of some assets and these changes in values have been included in the Balance Sheet. A full valuation of these assets will be carried out in 2019/20 .

	Other Land and Buildings **£'000**	Surplus Assets **£'000**	Total **£'000**
Carried at historical cost	0	0	0
Valued at fair value as at:			
31 March 2019	5,536	555	6,091
31 March 2018	7,291	116	7,407
31 March 2017	6,687	70	6,757
31 March 2016	17,136	0	17,136
31 March 2015	1,272	31	1,303
Total Cost or Valuation	**37,922**	**772**	**38,694**

16. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council. This entirely relates to The Old Crown Court and Cells, Dorchester.

	2017/18	**2018/19**
Cost or Valuation 1st April	**1,199**	**3,227**
Additions	2,028	97
Disposals	0	0
Revaluation Losses	0	0
Depreciation	0	0
31st March	**3,227**	**3,324**

Old Crown Court and Cells, Dorchester

The Old Crown Court and Cells are contained within the Council's former main office building in Dorchester, Stratton House. The Court, which was built in 1796, is famous for its part in the Tolpuddle Martyrs trial of 1834, and was last used for a trial in 1955. The courtroom retains its historic fittings (the judge's bench, dock, jury benches and public seating) and is now open to visitors as a historic building. The Council was awarded a Heritage Lottery grant of £1.5m to enhance the asset as a visitor attraction. The work was completed in May 2018.

Museum Collections and Other Artefacts

The exhibits in the museums are held by museum trusts rather than the Council. Similarly, civic regalia and assets in public parks are held by the Town Councils.

17. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

	2017/18	2018/19
	£'000	**£'000**
Rental income from investment property	15	10
Direct operating expenses arising from investment property	(9)	(1)
Changes in fair value of investment property	180	0
Net gain/(loss)	**186**	**9**

The following table summarises the movement in the fair value of investment properties over the year:

	2017/18	2018/19
	£'000	**£'000**
Balance at start of year	172	352
Transfer to surplus assets	0	(202)
Net gains/(losses) from fair value adjustment	180	0
Balance at end of the year	**352**	**150**

18. INTANGIBLE ASSETS

Market Charters are held by the Authority for Dorchester market and Bridport market. These give the Council, and only the Council, an exclusive right to hold markets in parts of the district. These are non financial fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

	2017/18	2018/19
	£'000	**£'000**
Balance as at 1 April	410	410
Revaluations	0	0
Balance as at 31 March	**410**	**410**

19. FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised:

- loans from the Public Works Loans Board,
- overdraft with HSBC Bank,
- lease payables detailed in note 36,and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
    - cash in hand,
    - bank current and deposit accounts with UK banks,
    - deposits with the UK Government,
    - lease receivables detailed in note 36, and
    - trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising:
    - money market funds, and
    - pooled bond, equity and property funds.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	£000s	£000s	£000s	£000s
Loans at amortised cost:				
- Principal sum borrowed		600	600	600
- Accrued interest			2	5
Total Borrowing *	**0**	**600**	**602**	**605**
Loans at amortised cost:				
- Bank overdraft	0	0	2	2
Total Cash Overdrawn	**0**	**0**	**2**	**2**
Liabilities at amortised cost:				
- Finance leases	0	0	0	0
- PFI arrangements				
Total Other Long-term Liabilities	**0**	**0**	**0**	**0**
Liabilities at amortised cost:				
- Trade payables	0	0	1,430	2,397
- Finance leases				
- PFI arrangements				
Included in Creditors **	**0**	**0**	**1,430**	**2,397**
Total Financial Liabilities	**0**	**600**	**2,034**	**3,004**

** The creditors lines on the Balance Sheet include £19,143K (2018: £15,177K) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018 Restated
	£000s	£000s	£000s	£000s
At amortised cost:				
- Principal	0	0	2,004	0
Available-for-sale				
- Principal at amortised cost		8,936		37,546
- Fair value adjustment		395		460
At fair value through profit & loss:				
- Fair value	10,584		34,633	
Total Investments	**10,584**	**9,331**	**36,637**	**38,005**
At amortised cost:				
- Principal			1,573	2,553
Available-for-sale				
- Principal at amortised cost				1,625
At fair value through profit & loss:				
- Fair value			4,684	
Total Cash and Cash Equivalents	**0**	**0**	**6,257**	**4,178**
At amortised cost:				
- Trade receivables			1,951	2,421
- Lease receivables	4,878	4,883	5	4
- Loss allowance	0	0	(262)	(262)
Included in Debtors **	**4,878**	**4,883**	**1,694**	**2,163**
Total Financial Assets	**15,462**	**14,214**	**44,587**	**44,346**

** The debtors lines on the Balance Sheet include £1,885k (2018: £906k) short-term and £2,038k (2018: £1,805k) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	through Profit & Loss	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	28			28	47
Losses on de-recognition	0		455	455	
Losses from changes in fair value			555	555	
Impairment losses		0		0	
Interest payable and similar charges	**28**	**0**	**1,010**	**1,039**	**47**
Interest income		(263)		(263)	(368)
Dividend income			(1851)	(1851)	(1453)
Gains on de-recognition			0	0	(66)
Gains from changes in fair value			(399)	(399)	
Impairment loss reversals		(2)		(2)	
Interest and investment income	**0**	**(265)**	**(2250**	**(2514)**	**(1887)**
of services	**28**	**(265)**	**(1240)**	**(1475)**	**(1840)**
Gains on revaluation				0	(302)
Losses on revaluation				0	1,514
Impact on other comprehensive income	**0**	**0**	**0**	**0**	**1,212**
Net Gain/(Loss) for the Year	**28**	**(265)**	**(1240)**	**(1475)**	**(628)**

(d) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s	Balance Sheet Restated 31.3.2018 £000s	Fair Value 31.3.2018 £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	602	607	1,205	1,231
TOTAL	**2**	**602**	**607**	**1,205**	**1,231**
Liabilities for which fair value is not disclosed *		1,430		2,397	
TOTAL FINANCIAL LIABILITIES		**2,032**		**3,602**	
Record on balance sheet as					
Bank overdraft					
Short-term creditors		1,430		2,397	
Short-term borrowing		602		605	
Long-term borrowing		0		600	
TOTAL FINANCIAL LIABILITIES		**2,032**		**3,602**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

	Fair Value Level	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s	Balance Sheet 31.3.2018 £000s	Fair Value Restated 31.3.2018 £000s
Financial assets held at fair value:					
Money market funds	1	4,853		1,625	
Bond, equity and property funds	1	38,392		41,277	
Covered bonds	1	0		6,055	
Financial assets held at amortised cost:					
Covered bonds		2,003	2,007		
TOTAL		**45,248**	**45,252**	**48,957**	**48,957**
Assets for which fair value is not disclosed *		14,802		9,603	
TOTAL FINANCIAL ASSETS		**60,050**		**58,560**	
Recorded on balance sheet as:					
Long-term debtors		4,878		4,883	
Long-term investments		10,584		9,331	
Short-term debtors		1,694		2,163	
Short-term investments		36,637		38,005	
Cash and cash equivalents		6,257		4,178	
TOTAL FINANCIAL ASSETS		**60,050**		**58,560**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

(e) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m applies. The Council also sets limits on investments in certain sectors. No more than £65m can be invested for a period longer than one year.

The credit quality of £2m (2018: £6m) of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2019 Long-term £000s	31.3.2019 Short-term £000s	31.3.2018 Long-term £000s	31.3.2018 Short-term £000s
AAA		2,003	2,003	4,053
AA+				
AA		6,500		1,000
AA-		568		533
A+		1,005		
A				1,020
Total	**0**	**10,076**	**2,003**	**6,606**
Credit risk not applicable *	10,584	32,819	7,328	35,574
Total Investments	**10,584**	**42,895**	**9,331**	**42,180**

* Credit risk is not applicable to money market funds and other pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £nil (2018: £nil) of loss allowances related to treasury investments.

Credit Risk: Trade and Lease Receivables and Contract Assets

The policy on managing the credit risk in trade receivables and contract assets is set out in the terms and conditions.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 60 or more days past due.

Days Outstanding	Loss Allowance %
0 to 60 days	0
61 to 90 days	5
91 to 180 days	20
181 to 364 days	50
365 days plus	75

Impairment Provision	2018/19	2017/18
	£'000	£'000
Non HRA Housing	75	75
Property and Estates	103	103
Waste Management	9	9
Legal Services	5	5
Leisure and Tourism	3	3
Community Protection	67	67
	262	262

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of financial instruments is as follows:

Time to maturity in years	31.3.2019 Liabilities	31.3.2019 Assets	31.3.2019 Net	31.3.2018 Liabilities Restated	31.3.2018 Assets Restated	31.3.2018 Net Restated
	£000s	£000s	£000s	£000s	£000s	£000s
Not over 1	2,034	(11,151)	(9,117)	3,004	(10,397)	(7,393)
Over 1 but not over 2		(5,628)	(5,628)	600	(2,003)	(1,403)
Over 2 but not over 5		(4,878)	(4,878)		(4,883)	(4,883)
Over 5			0			0
Over 10 but not over 20			0			0
Over 20 but not over 40			0			0
Over 40			0			0
Uncertain date *		(38,392)	(38,392)		(41,277)	(41,277)
Total	**2,034**	**(60,049)**	**(58,015)**	**3,604**	**(58,560)**	**(54,956)**

* The Council invests in pooled funds which have no defined maturity date.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. All the Councils borrowing and interest-bearing investments are at variable rates or mature within one year.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s	£000s
Increase in interest payable on variable rate borrowings	6	0
Increase in interest receivable on variable rate investments	-148	-66
Decrease in fair value of investments held at FVPL	0	0
Impact on Surplus or Deficit on the Provision of Services	**-142**	**-66**
Decrease in fair value of available for sale investments	344	456
Impact on Comprehensive Income and Expenditure	**202**	**390**
Decrease in fair value of loans and investments at amortised cost *	2	0
Decrease in fair value of fixed rate borrowing *	-2	-13

*No impact on Comprehensive Income and Expenditure.
The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £10m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.526m (2018: £0.372m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account or Capital Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £3m per fund. A 5% fall in share prices at 31st March 2019 would result in a £0.654m (2018: £0.813m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets and the remeasurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31.3.18	Reclassi-fication	Remeasu-rement	Impair-ment	IFRS 9 1.4.18
FINANCIAL ASSETS					
Investments					
L&R /Amortised cost	0	6,056	96	(2)	6,150
Available for sale / FVOCI	47,332	(47,332)			0
FVPL	0	41,277			41,277
Total investments	47,332	0	96	(2)	47,427
Debtors					
L&R /Amortised cost	8,851				8,851
Available for sale / FVOCI					0
FVPL					0
Total debtors	8,851	0	0	0	8,851
Cash & cash equivalents					
L&R /Amortised cost	2,553			(0)	2,553
Available for sale / FVOCI	1,625	(1,625)			0
FVPL	0	1,625			1,625
Total cash & equivalents	4,178	0	0	(0)	4,178
TOTAL FINANCIAL ASSETS	60,361	0	96	-2	60,455
FINANCIAL LIABILITIES					
Borrowing					
Amortised cost	(1,205)		0		(1,205)
Creditors					
Amortised cost	(2,397)				(2,397)
TOTAL FINANCIAL LIABILITIES	(3,602)	0	0	0	(3,602)
NET FINANCIAL ASSETS	**56,760**	**0**	**96**	**(2)**	**56,854**

L&R: Loans and receivables; FVOCI: fair value through other comprehensive income; FVPL: fair value through profit and loss .

	IAS 39 31.3.18	Reclassi-fication	Remeasu-rement	Impair-ment	IFRS 9 1.4.18
RESERVES					
Usable Reserves					
General Fund	26,774	(96)	96	(2)	26,772
Other usable reserves	7,836				7,836
Total usable reserves	34,610	(96)	96	(2)	34,608
Unusable Reserves					
Available for sale reserve	855	(855)			0
Capital adjustment account	72,443	178			72,621
Deferred capital receipts	1,144			0	1,144
FI adjustment account	0		0		0
Pooled fund adjustment a/c	0	773			773
Other unusable reserves	(36,580)				(36,580)
Total unusable reserves	37,862	96	0	0	37,958
TOTAL RESERVES	**72,472**	**0**	**96**	**(2)**	**72,566**

FI: Financial instruments

The Council's £2.830m provision for doubtful debtors calculated under IAS 39 as at 31st March 2018 has been supplemented by the £0.002m entry shown in the above tables to give a total impairment loss allowance of £2.832m under IFRS 9 as at 1st April 2018.

20. DEBTORS

	RESTATED 2017/18 £'000	2018/19 £'000
Trade Receivables	1,951	2,421
Prepayments	108	70
Debtors for Local Taxation - Council Tax	317	390
Debtors for Local Taxation - NNDR	451	755
Debtors for Costs Associated with Council Tax and NNDR	287	317
Housing Benefit Overpayments	1,610	1,481
Other receivable amounts	1,086	2,295
Sub-Total	**5,810**	**7,729**
Provision for Impairment		
Trade Receivables	(262)	(262)
Debtors for Local Taxation - Council Tax	(352)	(385)
Debtors for Local Taxation - NNDR	(454)	(527)
Debtors for Costs Associated with Council Tax and NNDR	(241)	(241)
Housing Benefit Overpayments	(1,170)	(1,447)
Sub-Total	**(2,479)**	**(2,862)**
	3,331	**4,867**

21. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	2017/18 £'000	2018/19 £'000
Cash held by the Authority	2	2
Bank Current Accounts	327	139
Money Market Funds	1,833	4,858
Call Accounts	2,018	1,260
Less Bank Overdraft	(2)	(2)
Total Cash and Cash Equivalents Balance	**4,178**	**6,257**

22. ASSETS HELD FOR SALE

As at 31st March 2019 the Council does not have any assets that are not required for operational purposes and actively being marketed for disposal

23. CREDITORS

	RESTATED 2017/18 £'000	2018/19 £'000
Trade Payables	(2,397)	(1,430)
Other Payables	(15,177)	(19,143)
	(17,574)	**(20,573)**

24. PROVISIONS

	West Bay - Lithium Ball	Camp Site Flood Relief £'000	NDR Appeals £'000	Staff Exit Costs £'000	Total £'000
2018/19					
Balance at 1 April 2018	160	15	4,847	116	5,138
Utilisation of Provision	(160)	0	(206)	(116)	(482)
Additional Provisions made in 2018/19	0	0	1,487	0	1,487
Balance at 31 March 2019	**0**	**15**	**6,128**	**0**	**6,143**
2017/18 Comparatives					
Balance at 1 April 2017	0	15	3,000	51	3,066
Utilisation of Provision	0	0	(305)	(51)	(356)
Additional provisions made in 2017/18	160	0	2,152	116	2,428
Balance at 31 March 2018	**160**	**15**	**4,847**	**116**	**5,138**

Staff Exit Costs

This represents a provision for the Council's share of staff exit costs arising from the Dorset Councils Partnership. The provision is based on the best estimate of the amount required to settle the present obligation arising from redundancies which were approved and communicated to the members of staff concerned prior to 31st March 2018.

NDR Appeals

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. Previously, such amounts would not have been recognised as expenditure by the authorities, but would have been transferred to the Department for Communities and Local Government (DCLG).

There is uncertaintly in relation to the timing of the potential cashout flows in relation to this provision.

West Bay Camp Site Flood Relief

Under the Heads of Terms agreement with West Bay Holiday Park, the Council is liable for funding potential flood relief works of a maximum of £15,000.

25. USABLE RESERVES

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 10.

26. UNUSABLE RESERVES

	31 March 2018 £'000	31 March 2019 £'000
Revaluation Reserve	8,966	9,451
Available-for-Sale Financial Instruments Reserve	854	0
Capital Adjustment Account	72,443	69,198
Pooled Funds Adjustment Account	0	1,029
Deferred Capital Receipts Reserve	1,144	1,140
Pensions Reserve	(44,997)	(44,624)
Collection Fund Adjustment Account	(434)	(216)
Accumulated Absences Account	(114)	(104)
Total Unusable Reserves	**37,862**	**35,874**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 the 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.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		9,240		8,966
Upward revaluation of assets	189		693	
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0		(125)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		189		568
Difference between fair value depreciation and historical cost depreciation	(86)			(83)
Accumulated gains on assets sold or scrapped	(377)		0	
		(463)		0
Balance at 31 March		**8,966**		**9,451**

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,133		854
Upward revaluation of investments	0		0	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,213)		0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(1,213)		0
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(66)		
IFRS 9 Transition		0		(854)
Balance at 31 March		**854**		**0**

Pooled Funds Adjustment Account

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	**0**	**0**
IFRS 9 Transition transfer from Available for Sale Reserve	0	854
IFRS 9 Transition adjustments	0	(81)
Revaluations	0	256
Balance at 31 March	**0**	**1,029**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and 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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		74,549		72,443
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(4,758)		(5,102)	
Revaluation losses on Property, Plant and Equipment	(129)		(1,033)	
Revenue expenditure funded from capital under statute	(483)	(5,370)	(700)	(6,835)
Adjusting amounts written out of the Revaluation Reserve		464		83
Net written out amount of the cost of non-current assets consumed in the year	(438)		0	
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	0		2,952	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,582		204	
Statutory provision for the financing of capital investment charged against general fund	76		76	
Capital expenditure charged against the General Fund balance	1,580		0	
		2,800		3,232
IFRS 9 Transition		0		275
Balance at 31 March		**72,443**		**69,198**

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.

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	(50,224)	(44,997)
Remeasurement of the net defined benefit liability/(asset)	7,606	2,474
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	(4,015)	(3,773)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,636	1,672
Balance at 31 March	**(44,997)**	**(44,624)**

Deferred Capital Receipts Reserve

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

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	1,147	1,144
Transfer to the Capital Receipts Reserve upon receipt of cash	(3)	(4)
Balance at 31 March	**1,144**	**1,140**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	46	(434)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	(539)	273
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	59	(55)
Balance at 31 March	**(434)**	**(216)**

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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		(103)		(114)
Settlement or cancellation of accrual made at the end of the preceding year	103		114	
Amounts accrued at the end of the current year	(114)		(104)	
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		(11)		10
Balance at 31 March		**(114)**		**(104)**

27. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjustments to Net Surplus or Deficit on Provision of Services for non-cash movements

	2017/18 Restated £'000	2018/19 £'000
Depreciation	4,771	5,013
Impairment and downward valuations	129	1,033
Increase/(Decrease) in Creditors	1,420	557
(Increase)/Decrease in Debtors	(917)	(476)
(Increase)/Decrease in Inventories	(4)	(5)
Movement in Pension Liability	2,379	2,101
Carrying amount of non-current assets sold or derecognised	438	517
Other non-cash items charged to the net surplus or deficit on provision of services	2,059	1,831
	10,275	**10,571**

Adjustments for items included in Net Surplus or Deficit on Provision of Services that are investing and financing activities

	2017/18 £'000	2018/19 £'000
Proceeds from the sale of Non-current Assets	0	(336)
Interest paid	46	0
Income from short-term and long-term investments	(1,097)	(2,628)
Capital Grants relating to Non-current Assets	(1,581)	(204)
	(2,632)	**(3,168)**

28. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18 £'000	2018/19 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,658)	(2,359)
Purchase of Short Term and Long Term Investments	(13,000)	(9,500)
Other Payments for Investing Activities	(1,229)	(232)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,100	340
Proceeds from Short Term and Long Term Investments	0	8,789
Other Receipts from Investing Activities	1,916	2,628
Net Cash Flows from Investing Activities	**(13,871)**	**(334)**

29. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £'000	2018/19 £'000
Other payments for financing activities	2,581	2,442
Interest paid	(46)	0
Repayments of Short Term and Long Term Borrowing	(983)	(603)
Net Cash Flows from Financing Activities	**1,552**	**1,839**

30. MEMBERS' ALLOWANCES

The Council paid the following amount to Members of the Council during the year.

	2017/18 £'000	2018/19 £'000
Allowances	344	353
Expenses	17	18
Total	361	371

31. OFFICERS' REMUNERATION

There is a legal requirement to disclose, by name, any employee whose salary is greater than £150,000.

West Dorset District Council was a member of the Dorset Councils partnership which also includes Weymouth and Portland Borough Council and North Dorset District Council. Weymouth and Portland Borough Council is the employing council for the partnership with costs being split on a proportionate basis between the three Councils.

The following tables set out the remuneration disclosures for Dorset Councils partnership senior officers as required by the Accounts and Audit Regulations 2015. The total costs are shared on a proportionate basis.

During the year Mr Prosser was appointed Chief Executive designate for Dorset Council which came in being on 1st April 2019. He was employed by Weymouth and Portland BC and transferred to Dorset Council under TUPE on 1st April 2019. During this period Mr Caundle acted as Head of the Paid Service.

Post holder		**Salary, Fees and Allowances £**	**Compensation for Loss of Office £**	**Pension contributions £**	**Total £**
Matt Prosser	2017/18	132,613	0	20,290	152,903
(Chief Executive)	2018/19	150,132	0	22,970	173,102
Jason Vaughan	2017/18	98,849	0	15,124	113,973
(Strategic Director and Chief Finance Officer)	2018/19	100,726	0	15,411	116,137
Stephen Hill	2017/18	93,849	0	14,359	108,208
(Strategic Director)	2018/19	95,726	0	14,646	110,372
Martin Hamilton	2017/18	93,849	0	14,359	108,208
(Strategic Director)	2018/19	80,626	0	12,336	92,962
Mr Hamilton resigned in January 2019					
Stuart Caundle	2017/18	89,709	0	13,725	103,434
(Assistant Chief Executive)	2018/19	93,585	0	14,318	107,903

None of the officers listed above received a bonus or expenses allowance other than direct out of pocket where a receipt was provided

The partnership's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Total remuneration	Number of Employees 2017/18	Number of Employees 2018/19
Between £50,000 and £54,999	2	1
Between £55,000 and £59,999	3	1
Between £60,000 and £64,999	2	3
Between £65,000 and £69,999	7	3
Between £70,000 and £74,999	0	6

The numbers of exit packages for the partnership's other employees with total cost per band are set out in the table below. The costs have been shared with the other partners on a proportionate basis, which may vary between employees

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Between £0 and £20,000	6	3	4	3	10	6	74,923	66,876
£20,001 and £40,000	3	2	1	1	4	3	118,923	78,191
£40,001 and £60,000	2	2	0	0	2	2	94,524	102,477
£60,001 and £80,000	1	0	0	0	1	0	73,588	0
£80,001 and £100,000	1	0	0	0	1	0	85,587	0
£100,001 and £150,000	0	1	0	0	0	1	0	147,305
					18	12		

32. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. For 2017/18 this work was carried out by KPMG and for 2018/19 by Deloitte.

	2017/18 £'000	2018/19 £'000
Fees payable to auditor with regard to external audit services carried out by the appointed auditor for the year	43	33
Fees payable to auditor for the certification of grant claims and returns	6	0
Fees payable in respect of other services provided by the external auditor	0	0
Total	**49**	**33**

33. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
New Homes Bonus Scheme Grant	1,954	1,402
Shire Hall	1,268	97
New Burdens	57	0
Non Ring Fenced NDR grant	0	78
Revenue Support Grant	1,071	789
Coast Protection Schemes	0	106
West Bay Beach Management	225	0
Lyme Regis Beach Management	87	0
Total	**4,662**	**2,472**
Credited to Services		
DWP Grants for Benefits	26,385	23,656
Cost of Collection Local Taxation	211	215
Housing Benefit Administration Grant	391	360
Discretionary Housing Payment	67	141
DCLG Design and Custom Build	30	30
Coastal Revival Fund Grant	0	32
EU Exit Preparation	0	17
Rural Services Support	193	0
Homeless Grant	0	123
Other grants	47	151
Total	**27,324**	**24,725**

34. RELATED PARTIES

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

Central Government

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council Tax bills, Housing Benefits). Grant receipts outstanding at 31 March 2019 are shown in Debtors Note 20.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2018/19 is shown in Note 30. The Monitoring Officer keeps a register of Members' interests which is available for public inspection.

Officers

The Council has a code of conduct for Officers. All are required to declare to the Monitoring Officer any secondary employment and other interests which may conflict with their employment with the Council. The declaration is reviewed annually through the staff development interview process. The Monitoring Officer also keeps a record of politically restricted posts.

Dorset Councils Partnership

Dorset Councils Partnership was a collaboration between Weymouth and Portland Borough Council, West Dorset District Council and North Dorset District Council. One body of staff provide services to all three Councils. The Chief Executive acts as Chief Executive for all three Councils as does the Senior Leadership team. The staff are employed by Weymouth and Portland BC. Each Council retains its sovereignty and costs are shared on a proportionate basis. DCP ceased to exist 31/3/19

PSP West LLP

The Council has entered into a limited liability partnership with PSP Facilitating Ltd to add value to and dispose of surplus assets. The Council and PSP Facilitating Ltd are equal partners. The partnership is governed by a Members' Agreement and Procedure Agreement. The plan is for profits on disposal of assets to be shared. There have not been any transactions during the year between PSP West LLP and West Dorset DC.

Homes Dorset Limited

Homes Dorset Limited is a wholly owned housing development company. Cllrs P Barrowcliffe and T Yarker as well as strategic director, Stephen Hill and Programme Manager, Matt Ryan served as directors of the company for all or part of the year. The accounts have not been consolidated with West Dorset DC as they are not considered material.

South West Audit Partnership (SWAP)

The Council is a Member of SWAP. This is a group of Councils in the South West who have joined together to share skills in the delivery of internal audit services. During 2018/19 the Council paid £88,675 to SWAP (£100,625 in 2017/18). Jason Vaughan, Strategic Director, representing West Dorset DC, Julie Strange, Head of Finance, representing Weymouth and Portland BC and Johnathan Symes, Financial Resources Manager, representing North Dorset DC, served as directors during the year.

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	10,156	10,080
Capital Investment		
Property, Plant, Infrastructure & Equipment	2,658	2,457
Revenue Expenditure Funded from Capital under Statute	482	700
Sources of Finance		
Capital Receipts	0	(2,952)
Government Grants and other contributions	(1,581)	(204)
Direct Revenue Contributions	(1,559)	0
Minimum Revenue Provision	(76)	(76)
Closing Capital Financing Requirement	**10,080**	**10,005**

36. LEASES

Council as Lessee

Operating Leases

The Council has operating leases in respect of foreshores and seabeds on which coastal protection schemes have been constructed.

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	171	168
	171	**168**

The expenditure charged to the Net Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2017/18 £'000	2018/19 £'000
Minimum lease payments	3	3
Contingent rents	0	0
	3	**3**

Council as Lessor

Finance Leases

The Council has leased out property at Tudor Arcade, Dorchester (Term 101 years) and Dorchester Library (Term 125 years). These leases are deemed finance leases.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2018 £'000	31 March 2019 £'000
Finance Lease Debtor (net present value of minimum lease payments):		
Current	4	5
Non-Current	4,883	4,878
Unearned Finance Income	16,864	16,678
Gross Investment in the Lease	**21,751**	**21,561**

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	191	191
Later than one year and not later than five years	762	762
Later than five years	20,798	20,608
	21,751	**21,561**

In addition to minimum lease payments the actual rents received will include contingent rents. These are rents contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The Council leases out Property under operating leases in order to generate rental income.
The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	715	1,115
Later than one year and not later than five years	1,931	3,687
Later than five years	714	3,326
	3,360	**8,128**

During 2018/19 the Council acquired a large industrial unit in Bridport. Most of the year on year changes are due to this unit. In addition to minimum lease payments the actual rents received will include contingent rents. These are rents contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

37. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

Under the shared services partnership employees are employed by Weymouth and Portland Borough Council. This disclosure note refers to the Council's share of current service costs and historic deficits

The Council participates in the Local Government Pension Scheme (LGPS) for civilian employees, administered locally by Dorset County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Principal Risks

The principal risks to the authority of the scheme are longevity assumptions, statutory changes to the scheme, structural 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 to General Fund the amounts required by statute as set out in the accounting policies in note 1.

Discretionary Post-retirement Benefits

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

Transactions relating to Post-employment Benefits

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

	2017/18	**2018/19**
Comprehensive Income and Expenditure Statement	**£'000**	**£'000**
Cost of Services		
Current Service cost	2,500	2,467
Past Service costs	192	113
Administration expense	56	65
(gain)/loss from settlements	0	0
Financing and Investment Income and Expenditure		
Net Interest Expense	1,267	1,128
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**4,015**	**3,773**
Other Post Employment Benefit charged or (credited) to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(1,961)	(1,589)
Other actuarial gains and losses arising on changes in demographic assumptions	0	(6,727)
Actuarial gains and losses arising on change in financial assumptions	(5,645)	4,647
Other	0	
Total post-employment benefits charged to the Comprehensive Income and expenditure Statement	**(7,606)**	**(3,669)**

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,015)	(3,773)
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme	1,635	1,672
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme	**(2,380)**	**(2,101)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance sheet arising from the authority's obligation in respect of its defined benefit plans is set out below. Following the Triennial re-valuation of the pension fund, the actuary set the amount that needs to be paid into the fund over the next 3 years with the aim of eliminating the deficit over the medium term.

	2017/18	**2018/19**
	£'000	**£'000**
Present Value of the defined benefit obligation	122,421	122,853
Fair Value of Plan Assets	(80,942)	(82,709)
Net Liability	**41,479**	**40,144**
Present Value of the unfunded obligation	3,518	4,480
Net Liability in Balance Sheet arising from defined benefit obligation	**44,997**	**44,624**

Reconciliation of the Movement in the Fair Value of Scheme Assets

	2017/18 **£'000**	**2018/19** **£'000**
Opening fair value of scheme assets	78,195	80,942
Interest income	1,971	2,042
Remeasurement gain/loss		
Return on plan assets, excluding the amount included in the net interest expense	1,961	1,589
Other actuarial gains and losses	0	0
Contributions from employers	1,635	1,672
Contributions from employees into the scheme	419	435
Administration Expenses	(55)	(65)
Estimated benefits paid plus unfunded net of transfers in	(3,184)	(3,906)
Settlement prices received	0	0
Closing balance at 31 March	**80,942**	**82,709**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

	2017/18	2018/19
	£'000	£'000
Opening Balance 1st April	128,419	125,939
Current Service Costs	2,500	2,467
Interest cost	3,238	3,170
Contributions from scheme participants	419	435
Remeasurement (gains) and losses		
Actuarial gains/losses arising from changes in demographic assumptions	0	(6,727)
Actuarial gains/losses arising from changes in financial assumptions	(5,645)	4,647
Experience loss/(gain) on defined benefits obligations	0	0
Liabilities extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(2,980)	(3,698)
Past Service Costs (including curtailments)	192	113
Unfunded pension payments	(204)	(208)
Closing balance at 31 March	**125,939**	**126,138**

The IAS19 report was prepared on this basis that assets and liabilities of the Dorset Councils partnership have been split between Weymouth and Portland Borough Council 37%, West Dorset District Council 42% and North Dorset District Council 21%

Local Government Pension Scheme assets comprised

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2018	31 March 2018	31 March 2019	31 March 2019
	£'000	%	£'000	%
Equity Investments	43,753	54	41,967	51
Liability Driven Investment	10,598	13	10,730	13
Cash	1,136	1	2,483	3
Other Bonds	5,673	7	5,865	7
Diversified Growth Fund	4,893	6	4,915	6
Multi Asset Credit	3,809	5	3,919	5
Property	8,159	10	9,027	10
Infrastructure	2,921	4	3,803	5
	80,942	100.0	82,709	100.0

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates of the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2016.

Included in the Council's pension fund liabilities as at 31 March 2019 is an estimate of the additional cost due to the McCloud ruling. This relates to the Government's refusal of right to appeal against a landmark ruling by the Court of Appeal with regard to age discrimination against younger public sector workers by protecting the retirement benefits of older staff. While the case was brought by members of the judicial and firefighters pension schemes, it will have implications for the LGPS. The remedy that will be imposed by the Court is not yet known, but an estimate has been made using the Government Actuary Department methodology. The estimated additional liability is £1.195m.

The significant assumptions used by the actuary have been:

	2017/18	**2018/19**
Mortality assumptions:		
Life expectancy from 65 years retiring today		
Men	24.0	22.9
Women	26.1	24.8
Life expectancy from 65 years retiring in 20 years		
Men	26.2	24.6
Women	28.4	26.6
Rate of inflation - RPI increases	3.35%	3.40%
Rate of inflation - CPI increases	2.35%	2.40%
Rate of increase in salaries	3.85%	3.90%
Rate of increase in pensions	2.35%	2.40%
Rate for discounting scheme liabilities	2.55%	2.40%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost were replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

The estimation of the defined benefit obligations 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 unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the defined Benefit Obligation in the scheme		
	Increase in Assumption by 0.1% £'000	No Change £'000	Decrease in Assumption by 0.1% £'000
Adjustment to Discount Rate			
Present Value of Obligation	123,942	126138*	128,377
Projected Service Cost	2,365	2,423	2,481
Adjustment to long term salary increase			
Present Value of Obligation	126,318	126,138	125,961
Projected Service Cost	2,423	2,423	2,423
Adjustment to pension increases and deferred revaluation			
Present Value of Obligation	128,195	126,138	124,118
Projected Service Cost	2,481	2,423	2,365

Adjustment to life expectancy assumption	+ 1 year		- 1 year
Present Value of Obligation	130,996	126,138	121,467
Projected Service Cost	2,500	2,423	2,348

*Not including additional liability relating to McCloud judgement estimated at £1.195m.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuaries to achieve a 100% funding level over 25 years. The next triennial valuation is due 31st March 2019.

The scheme takes account of the national changes under the Public Pensions Services Act 2013. The Act established a new career average revalued earning scheme to pay pensions.

Projected pension expense for 2019/20 is not relevant as West Dorset District Council ceased to exist on 31st March 2019, being replaced by Dorset Council.

The Actuarial report takes into account Guaranteed Minimum Pension (GMP) and transitional arrangements for age discrimination

38. CONTINGENT LIABILITIES

The Council's former insurers, Municipal Mutual Insurance, are in administration and unlikely to have sufficient funds to settle all claims. The administrator has so far issued two levies on the Council totalling £98,148, one in 2014 and one in 2016. The maximum potential liability for the Council was estimated to be £442,592 as at 31st March 2019 (£442,592 as at 31st March 2018).

39. EVENTS AFTER THE BALANCE SHEET DATE

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection.

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for West Dorset District Council equates to a potential increase in liabilities of approximately £1.195 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for West Dorset District Council as at 31 March 2019 to be 0.5% of total liabilities. This equates to a potential increase in liabilities of approximately £0.581 million.
West Dorset District Council has adjusted its accounts by the amount estimated using the GAD methodology of £1.195 million.

40. Prior year restatement

Restatement of Comparatives in Notes 19, 22 and Balance Sheet

Historically the authority separately identified the debtor and creditor position of Collection Fund balances in relation to amounts owed or owing from major preceptors. This is inconsistent with the CIPFA Code which requires a single net position of debtor or creditor for major preceptors as appropriate. Accordingly, the comparative figures for 2017/18 have been restated. The following changes were made

Note 19. Debtors	**Original 17/18**	**Restated 17/18**
Debtors for Local Taxation - Council Tax	3,339	430
Debtors for Local Taxation - NNDR	1,318	578
Other receivable amounts	2,343	846
Provision For Impairment		
Debtors for Local Taxation - Council Tax	(2,472)	(352)
Debtors for Local Taxation - NNDR	(1,135)	(454)
Note 22. Creditors	**Original 17/18**	**Restated 17/18**
Other Payables	(17,170)	(15,177)
Balance Sheet As At 31 March 2018	**Original 17/18**	**Restated 17/18**
Short-term Debtors	5,324	3,331
Short-term Creditors	(19,567)	(17,574)

COLLECTION FUND

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

	2017/18			2018/19		
	Council Tax	NDR	Total	Council Tax	NDR	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax	77,542		**77,542**	82,450		**82,450**
Non-Domestic Rates		30,520	**30,520**		32,473	**32,473**
TOTAL INCOME	**77,542**	**30,520**	**108,062**	**82,450**	**32,473**	**114,923**
PRECEPTS / NDR DISTRIBUTION						
Central Government		13,903	**13,903**		14,277	**14,277**
Dorset County Council	54,741	2,503	**57,244**	58,760	2,570	**61,330**
Dorset Police Authority	8,028		**8,028**	8,631		**8,631**
Dorset Fire Authority	2,912	278	**3,190**	3,038	286	**3,324**
West Dorset District Council	5,766	11,123	**16,889**	6,048	11,421	**17,469**
All Parishes	3,726		**3,726**	3,976		**3,976**
PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED						
Central Government			**0**		285	**285**
Dorset County Council	1,152		**1,152**	1,547	51	**1,598**
Dorset Police Authority	172		**172**	227		**227**
Dorset Fire Authority	63		**63**	82	6	**88**
West Dorset District Council	123		**123**	163	228	**391**
ALLOWANCES TO CHARGING AUTHORITY						
Non-Domestic Rate Cost Of Collection		211	**211**		215	**215**
Renewable Energy Scheme		274	**274**		207	**207**
TRANSITIONAL RELIEF ADJUSTMENT						
Transitional Relief Paid In Advance		(1,653)	**(1,653)**		(1,282)	**(1,282)**
PROVISION FOR APPEALS						
Increase/(Decrease) to Provision		6,495	**6,495**		3,721	**3,721**
Refunds Awarded		(1,878)	**(1,878)**		(517)	**(517)**
PROVISION FOR BAD DEBTS						
Increase/(Decrease) to Provision	243	459	**702**	264	182	**446**
Debts Written Off	131	153	**284**	130	259	**389**
TOTAL DEDUCTIONS	**77,057**	**31,868**	**108,925**	**82,866**	**31,909**	**114,775**
Surplus / (Deficit) Arising In Year	485	(1,348)	**(863)**	(416)	564	**148**
Balance B/F 1st April	2,752	(753)	**1,999**	3,237	(2,101)	**1,136**
Balance C/F 31st March	**3,237**	**(2,101)**	**1,136**	**2,821**	**(1,537)**	**1,284**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2018/19, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	**Number of Taxable Dwellings After Discount**	**Ratio**	**Band D Equivalent Dwellings**
A (Disabled Reduction)	4.76	5/9	2.60
A	2,971.05	6/9	1,980.70
B	6,184.27	7/9	4,810.00
C	9,634.17	8/9	8,563.70
D	8,784.48	9/9	8,824.20
E	6,797.45	11/9	8,308.00
F	4,163.27	13/9	6,013.60
G	2,217.72	15/9	3,696.20
H	217.75	18/9	435.50
	40,974.92		**42,634.50**
Less Adjustment for Collection Rates			(852.30)
Council Tax Base			**41,782.20**

2. INCOME FROM BUSINESS RATEPAYERS

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

	2017/18	**2018/19**
Rateable value at year-end	£94,099,677	£94,615,331
National Multiplier	47.9p	49.3p
Small Business Multiplier	46.6p	48.0p

3. ALLOCATION OF COLLECTION FUND SURPLUS

	COUNCIL TAX	**NDR**	**TOTAL**
	£	**£**	**£**
Central Government		(768,425)	**(768,425)**
Dorset County Council	2,060,746	(138,316)	**1,922,430**
Dorset Police Authority	302,707		**302,707**
Dorset Fire Authority	106,529	(15,368)	**91,161**
West Dorset District Council	351,549	(614,740)	**(263,191)**
Total Surplus As At 31st March 2019	**2,821,531**	**(1,536,849)**	**1,284,682**

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

West Dorset District Council has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government updated in 2016. A copy of the code is on our website at www.dorsetforyou.com or can be obtained from the Council offices. This statement explains how West Dorset District Council has complied with the code and also meets the requirements of Part 2, regulation 6 of Accounts and Audit Regulations 2015 which requires authorities to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review, Members are required to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control. The statement must then be included with the Statement of Accounts. The 2016 Framework is to be treated as proper practice, making publication of an AGS mandatory.

In addition to this, CIPFA has published its 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The Annual Governance Statement should therefore reflect compliance with the statement for reporting purposes.

Purpose of the Governance Framework

The purpose of the framework is to ensure the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner.

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

This will include focusing on outcomes for the area and its community, engaging with local people and other stakeholders to ensure robust public accountability, provide leadership in the community and promoting values and behaviours for the Council that will demonstrate how it plans to uphold good governance and maintain high standards of conduct.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Dorset District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically. The governance framework has been in place at West Dorset District Council for the year ended 31st March 2019 and up to the date of approval of the Statement of Accounts.

Review of Effectiveness

West Dorset District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This is achieved by the following work.

a) Management Assurance

Review of compliance with the adopted Local Code of Corporate Governance.
Review of the implementation of the Risk Management Strategy every 2 years.
Review of SWAP audit report findings and recommendations.
Review of fraud and special investigations completed during the year.
Corporate Management Team review of service governance arrangements.
Review of performance management software to identify performance against corporate plan

b) Statutory Officer Assurance

Consultation with the Council's statutory officers (Head of Paid Service, Monitoring Officer and Director of Resources) to discuss their responsibilities and any issues identified during the year.

c) Service Assurance

Consultation with the Council's Heads of Service to discuss their responsibilities and any issues identified during the year.

d) Performance Reporting

Review of performance management reporting in Business Review.
Review of financial management reporting in Business Review.

e) External Review Assurance

Examination of external audit reports and inspection letter.
Review of complaints, if any, considered by Local Government Ombudsman.

f) Other Sources

Examination of the minutes of the Audit and Governance Committee and JAAAC.
Review of any action taken by Monitoring Officer.
Review of the adequacy of the complaints procedure including handling, monitoring and outcomes.
Review of Management Team minutes.
Scrutiny Committee minutes holding Executive Committee to account.

Significant governance issues for 2018/19

Local Government Reorganisation

Overview

On 26 February Sajid Javid, the Secretary of State for Housing, Communities and Local Government gave his approval for plans to create two new unitary councils in Dorset, replacing the existing nine councils. The new councils came into existence in April 2019. Due to the timing of the reorganisation and the audit a number of audit qualifications have been identified as set out in the external audit opinion, recommendations following the audit in relation to these areas are being taken forward by Dorset Council.

OWNER: CHIEF EXECUTIVE

Comment

The new Dorset Council will have to ensure that any significant risks identified by West Dorset District Council, including those on the corporate risk register, are addressed.

ANNUAL GOVERNANCE STATEMENT

Statement of Assurance

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified as significant issues. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next review.

Signed ______________________ Date 12-Dec-19

Matt Prosser, Chief Executive

Signed ______________________ Date 17-Dec-19

Leader, Cllr S Flower

GLOSSARY OF TERMS

ACCRUALS
Amounts charged to the accounts for goods or services received during the year, for which payments have not yet been made. Also income that is due but has not yet been received.

ACCUMULATED ABSENCES ACCOUNT
This Account is an Unusable Reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward. It is permitted to have a negative balance.

AMORTISATION
The process of recognising the consumption of intangible assets in the cost of services.

AMORTISED COST
This is a mechanism that sees through the contractual terms of a Financial Instrument to measure the real cost or return to the Authority by using the effective interest rate method which incorporates the impact of premiums or discounts.

AREA BASED GRANT (ABG)
An Area Based Grant is a non-ring-fenced general grant on which there are no conditions imposed on its usage meaning that the Council has full local control on how the grant can be used.

ASSETS HELD FOR SALE
Non-Current Assets which are being actively marketed for sale where there is a high probability that the sale will be completed within twelve months.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Financial Assets which are not classed as Loans and Receivables. These include Bonds, Unit Funds and Property Funds which are quoted in an active market and are carried in the Balance Sheet at fair value.

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE
An Unusable Reserve introduced to manage the fair value process for Available-for-Sale Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

BALANCE SHEET
A statement of the Council's assets and liabilities at the Balance Sheet date.

BUDGET
An estimate of amounts expected to be spent or received during the year. This can refer to the Council's overall budget, the budget for a particular area (e.g. Capital budget) or for a specific item (e.g. Printing budget).

BUSINESS RATES
Also referred to as Non-Domestic Rates. This is a national tax based on the rateable value of business properties. The tax is administered by the Government who also determine the level of tax. The Council collects Business Rates on behalf of the Government and pays over the proceeds after costs of collection. The proceeds are redistributed to local authorities based on the size of their population.

GLOSSARY OF TERMS

CAPITAL ADJUSTMENT ACCOUNT
This Account is an Unusable Reserve which 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.

CAPITAL CHARGES
Charges made to service revenue accounts based on the value of the assets used by the service, consisting of depreciation and impairment.

CAPITAL EXPENDITURE
Spending on the purchase or provision of assets which will be of long-term value to the Authority.

CAPITAL GRANTS AND CONTRIBUTIONS
Grants and contributions from central Government and other external bodies towards the financing of capital expenditure on a particular service or scheme. These will include the majority of Section 106 Receipts. Provided that no conditions remain outstanding these grants are initially recognised as income in the Comprehensive Income and Expenditure Statement but subsequently reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

CAPITAL GRANTS UNAPPLIED ACCOUNT
This Account is a Usable Reserve which holds Capital Grants and Contributions which have been recognised as income in the Comprehensive Income and Expenditure Statement but where the capital expenditure to be financed has not been incurred at the Balance Sheet date.

CAPITAL RECEIPTS
Income received from the sale of land, buildings and other Non-Current Assets. These may be used to finance capital expenditure, however they are not available to finance revenue expenditure.

CAPITAL RECEIPTS RESERVE
This is a Usable Reserve which accumulates Capital Receipts and can be used to finance Capital Expenditure or repay debt on existing assets.

CASH & CASH EQUIVALENTS
These include cash in hand and demand deposits together with short term investments held for cash flow purposes that are readily convertible to known amounts of cash with insignificant risk of change in value.

CASH FLOW STATEMENT
This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.

CODES OF PRACTICE
In addition to the BVACOP, the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the UK. This code is approved by the Financial Reporting Advisory Board and is recognised by statute as representing proper accounting practice.

GLOSSARY OF TERMS

COLLECTION FUND

A statutory fund recording 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.

COLLECTION FUND ADJUSTMENT ACCOUNT

This Account is an Unusable Reserve which manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENCIES

Amounts set aside from the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

COUNCIL TAX

This is the main source of local taxation to local authorities. It is levied on households within the Council's area, based on property values. The proceeds are paid into the Collection Fund for distribution to precepting authorities as well as the Council's own General Fund.

COUNCIL TAX BENEFIT

Assistance provided by the Council to adults on low incomes to assist in the payment of their Council Tax bill. The cost to the Council of Council Tax Benefit is largely met by Government grant.

CREDITORS

Amounts owed by the Authority to others in respect of goods and services supplied in the financial year but not paid for.

CURRENT ASSETS

These are assets that will be consumed within the next accounting period (i.e. less than 1 year). Examples are inventories, cash and debtors.

CURRENT LIABILITIES

Those amounts which will become payable or could be called upon in the next accounting period (i.e. less than 1 year).

CURRENT SERVICE COSTS (PENSIONS)

The current service cost represents the cost to the employer of the benefits earned by active members during the accounting year.

GLOSSARY OF TERMS

DEBTORS
Amounts owed to the Council by others in respect of goods and services received in the financial year but not paid for.

DEFERRED CAPITAL RECEIPTS RESERVE
This is an Unusable Reserve which holds the gains recognised on the disposal of Non-Current Assets but for which cash settlement has yet to take place.

DEPRECIATION
The writing down of the value of Property, Plant & Equipment in the Balance Sheet, according to its expected useful life.

EARMARKED RESERVES
These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

FINANCE LEASES
These are leases which transfer substantially all the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset (even though title to the property may not be transferred).

FINANCIAL INSTRUMENTS
These are contracts that give rise to a Financial Asset of one entity and a Financial Liability or Equity Instrument of another entity. In practice these include bank deposits, loans, investments, borrowings and other receivables and payables.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
This Account is an Unusable Reserve which absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain Financial Instruments and for bearing losses or benefiting from gains per statutory provisions.

GENERAL FUND
This is the main revenue account of the Council and incorporates the net cost of all services (as shown in the Comprehensive Income and Expenditure Statement) together with the adjustments between accounting basis and funding basis under regulations and transfers to and from Earmarked Reserves (as shown in the Movement in Reserves Statement).

HERITAGE ASSETS
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

IMPAIRMENT
This is a reduction in the value of a Non-Current Asset caused either by the consumption of economic benefits or by a general fall in prices.

GLOSSARY OF TERMS

INFRASTRUCTURE

These are Non-Current Assets that are inalienable, expenditure on which is only recoverable by continued use of the asset created. Examples of infrastructure assets are footpaths and coast protection works.

INTANGIBLE ASSETS

These are Non-Current Assets which are identifiable but lack physical substance and are controlled by the Council as a result of past events, and future economic benefits or service potential are expected to flow to the Council. Examples are Market Charters.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are financial reporting standards based on clearly articulated principles which are approved for global use by the International Accounting Standards Board. For the first time the 2010 Code of Practice on Local Authority Accounting in the UK is based on IFRS principles.

INVENTORIES

These include goods purchased for resale and consumable stores.

INVESTMENT PROPERTY

This comprises land or buildings held solely to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes.

INVESTMENTS

These represent the investment of cash surpluses that reflect the Council's usable revenue and capital reserves and the incidence of cash flows. They comprise Available-for-Sale Financial Assets and Loans and Receivables.

LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)

This is a grant designed to give local authorities an incentive to maximise local economic growth by allowing them to receive a proportion of increases in local Business Rate revenues to spend on their own priorities.

LOANS AND RECEIVABLES

Financial Assets which have fixed or determinate payments and are not quoted in an active market. These are carried in the Balance Sheet at amortised cost.

MINIMUM REVENUE PROVISION (MRP)

The sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.

NON-CURRENT ASSETS

These are assets that yield benefits to the Council and the services it provides for a period of more than one year.

OPERATING LEASES

These are all leases which are not Finance Leases.

GLOSSARY OF TERMS

PENSIONS RESERVE
This Unusable 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 negative balance represents the substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them.

PRECEPT
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

PROPERTY, PLANT & EQUIPMENT
This comprises all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others as part of a service, or for administrative purposes, and are expected to be used during more than one accounting period.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

RESERVES
Reserves show the disposition of the Council's net worth and fall into two categories - Usable Reserves and Unusable Reserves.

REVALUATION RESERVE
This Unusable Reserve contains the net unrealised gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets since 1 April 2007.

REVENUE EXPENDITURE
Day to day payments used for the running of Council services such as salaries and wages, operating costs and charges for the use of assets.

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 Non-Current Assets.

REVENUE SUPPORT GRANT (RSG)
A grant paid by central Government to aid the Council to provide services in general, as opposed to specific grants that may only be used for specific purposes.

SECTION 106 RECEIPTS
Under Section 106 of the Town and Country Planning Act 1990, developers and local authorities can enter into planning obligations to enable the developments to proceed, when permission might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and usually provide for the developer to make financial payments to the Council that will be used for specific compensatory works or measures. Most S106 receipts are treated as capital contributions and applied to capital expenditure.

GLOSSARY OF TERMS

SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)

This code of practice replaced the Best Value Accounting Code of Practice (BVACOP) It provides a common service cost comparison between authorities.

SPECIFIC GRANTS

A term used to describe Government grants to local authorities that are related to a specific service or policy, usually subject to certain conditions. A list of the main grants received is provided within the Notes to the Accounts.

SURPLUS ASSETS

Non-Current Assets which are not in use but do not meet the strict criteria necessary to be included as Assets Held for Sale.

UNOBSERVABLE INPUTS

IFRS 13 requires fair value measurement of Assets. A fair value hierarchy categorises the inputs used in valuation techniques into three levels. The lowest level, level 3, is called unobservable inputs. This is where the valuation technique cannot rely on quoted prices in an active market and relies on assumptions and judgements of the valuer.

UNUSABLE RESERVES

Reserves 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.

USABLE RESERVES

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.