



## North Dorset District Council

### Statement of Accounts

Year ended 31 March 2018

Jason Vaughan, FCCA, CPFA, IRRV (Hons)  
Strategic Director & Chief Finance Officer

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## NARRATIVE STATEMENT

### Introduction

North Dorset District Council's financial performance for the year ended 31 March 2018 is as set out in the Comprehensive Income & Expenditure Summary and its financial position is as set out in the Balance Sheet and Cash Flow Statement. An additional statement has been added called the Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources such as government grants, council tax and business rates.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting the United Kingdom 2017/18 (the Code). It is the purpose of this report to explain, in an easily understandable way the financial facts and performance in relation to North Dorset District Council.

This Statement of Accounts explains North Dorset District Council's finances during the financial year 2017/18 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information North 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. North Dorset District Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

**(a) Expenditure and Funding Analysis** - showing how annual expenditure is used and funded from resources

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

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

**(d) Balance Sheet** - showing the financial position of the Council on 31 March 2018 compared to the previous year, showing all assets and liabilities of the Council.

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

**(f) 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.

## NARRATIVE STATEMENT

### Key Facts and Challenges

North Dorset is a rural district renowned for its unspoilt countryside and lively market towns

At 235 square miles North Dorset has a population of 69,300 that has grown by 10% over the last decade and is expected to continue to grow by 4% to 72,100 by 2021. Over 50% of residents live in villages and rural towns

The proportion of the population that is of working age is increasing and is now around 60% and above of the Dorset average. 22% of the population is over 65 and has increased considerably over the last decade whilst the 0-15 age group is decreasing

Earnings are lower than average and the unemployment rate is low compared with rates nationally

45% of employees work in the knowledge-driven industries and just 3% work in tourism based services sector. 9% of people in employment work from home and less than 1% get to work by public transport. The district has a much smaller number of employees who work in the public sector compared to other districts

There are approximately 30,400 dwellings in North Dorset with over 39% owned outright. Average house prices are 9.9 times higher than earnings in North Dorset which means that younger people are moving out of the area because of the affordability gap between house prices and wages. 22% of houses being built are affordable

The area has a rich rural environment and historic heritage with over 1900 listed buildings and over 39% of the district is covered by an Area of Outstanding Natural Beauty designation

The Council has needed to make significant cuts to its budget at a time of increasing demand for some services

The Corporate Plan for 2016-2019 lists the Councils priorities as:

#### **Build a Stronger Local Economy**

- 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

#### **Empower Thriving and Inclusive Communities**

- 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

#### **Improve Quality of Life**

- 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

#### **Develop Successful Partnerships**

- 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 2017 the Council set a balanced revenue budget for the 2017/18 financial year with a gross revenue spend of £30,342,582. After allowing for budgeted income of £24,439,003 the net council tax requirement was set at £5,903,579

During the year the Senior Leadership Team, Cabinet and Management Board 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 £1,770,000 which in part is due to the Council receiving additional grant income that has been set aside in reserves to be used in future years.

The revenue outturn and movement in general fund balance for the year are compared to the current budget in the following table. A full analysis of the variances will be reported to Cabinet.

	<b>Current Budget £'000</b>	<b>Net Expenditure £'000</b>	<b>Variance £'000</b>
Assets & Infrastructure	484	479	( 5)
Business Improvement	1,193	1,168	( 25)
Community Protection	2,324	2,251	( 73)
Democratic Services & Elections	431	398	( 33)
Economy, Leisure & Tourism	627	630	3
Financial Services	1,547	1,261	( 286)
Housing	358	331	( 27)
Human Resources and Organisational Development	140	120	( 20)
Legal Services	28	101	73
Community & Policy Development	287	267	( 20)
Planning Development Management & Building Control	600	469	( 131)
Revenues and Benefits	337	259	( 78)
<b>Net Cost of Services</b>	<b>8,356</b>	<b>7,734</b>	<b>( 622)</b>
Other Operating Expenditure	2,801	2,801	0
Financing and Investment Income and Expenditure	5	0	( 5)
Taxation and Non-Specific Grant Income	( 9,755)	( 9,774)	( 19)
<b>Surplus on the Provision of Services</b>	<b>1,407</b>	<b>761</b>	<b>( 646)</b>
Adjustments between accounting and regulatory bases (see below)	( 2,531)	( 2,531)	0
<b>Net Increase in General Fund Balances which includes Earmarked Reserves</b>	<b>( 1,124)</b>	<b>( 1,770)</b>	<b>( 646)</b>
<b>General Fund Balances (including earmarked reserves)</b>			
Balance brought forward 1st April 2017		( 6,051)	
Increase in balances		( 1,770)	
<b>Balance carried forward 31st March 2018</b>		<b>(7,821)</b>	

## NARRATIVE STATEMENT

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.

When the Council set its budget for 2017/18 the total expenditure for the year was estimated to be £28,720,203. The Council has been working on a medium term approach to reducing costs and increasing income. This approach has resulted in savings being achieved ahead of time during the financial year and resulting in an under spend of £674,781 for the year. There are however a number of areas where projects have been delayed for various reasons and after taking these into consideration the actual net spend for the year resulted in an under spend of £646,493 This balance will be added to the General Reserve and is available to support once off expenditure.

Within the overall favourable outturn variance, the good news is that a number of savings have been achieved early in 2017/18. A number of these savings have already been built into the 2018/19 budgets. There are vacancies throughout the 12 services, Heads of Service / Corporate Managers have actively managed these vacancies pending restructures and service reviews. Services have still been delivered amongst this back drop of less staff and the increasing financial pressure.

After allowing for the carry forward requests the uncommitted balance on the General Reserves would be £1,109,227 compared to a minimum risk based assessment of reserves of £610,713 and a maximum level of £1,221,426.

Full details of the budget variations can be found within the Business Review Outturn report that is due to be presented to Cabinet in June 2018 via [www.dorsetforyou.com](http://www.dorsetforyou.com)

### Capital Expenditure

The Council incurred capital expenditure of £287k during the year. The Council funded this capital spending from usable capital receipts. A full analysis of the variations to the capital budget is due to be reported to Cabinet in June 2018.

Scheme	<b>2017/18 Original Budget £'000</b>	<b>2017/18 Current Budget £'000</b>	<b>2017/18 Actual Expenditure £'000</b>
Car Park Refurbishment	200,000	200,000	0
Leisure Centre Planned Maintenance	60,000	60,000	0
Vehicle Loan Repayment	166,000	166,000	166,000
Super-Fast Broadband	101,000	101,000	101,000
<b>TOTAL</b>	<b>527,000</b>	<b>527,000</b>	<b>267,000</b>

## NARRATIVE STATEMENT

### 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 2017/18 the capital programme was financed by the following.

	<b>Financing £'000</b>
Capital Receipts	267,000
<b>TOTAL</b>	<b><u>267,000</u></b>

### Capital Receipts

The Council disposed of its interest in one of its investment properties during 2017/18. The Council received £187k for this sale and this sum has been added to the Useable Capital Receipts Reserve to fund future capital expenditure.

### Material and Unusual Transactions

There were no material or unusual transactions in 2017/18.

### Material Assets Required and Liabilities Incurred

There were no material assets acquired in 2017/18.

The Council did not have any short term borrowing outstanding as at 31 March 2018.

### Changes to Accounting Policies

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

For 2017/18 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 2017/18 are prepared in accordance with:  
the Accounts and Audit Regulations 2015  
the CIPFA Code of Practice on Local Authority Accounting 2017/18

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2018. 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.

## NARRATIVE STATEMENT

### **Changes to Statutory Functions**

There were no changes to statutory functions which had a significant impact on the accounts. The Council has voluntarily sought to share services with other Councils in Dorset to improve resilience and reduce costs. The main partnerships are:

The Council's internal audit functions are provided by South West Audit Partnership (SWAP). This is a partnership with internal auditors of other Councils in Dorset.

The Dorset Waste Partnership (DWP) administered by Dorset County Council, became responsible for waste collection and street cleansing in April 2011. The Council still meets its own costs of approximately £1.8million per annum for these services. As part of this process, assets (such as vehicles), owned by the Council, transferred to Dorset County Council.

The Stour Valley Revenues and Benefits Partnership was originally formed to establish a shared service with East Dorset District Council and Christchurch Borough Council to provide revenues and benefits services and was implemented from 1 October 2010. This partnership was expanded to include Poole Borough Council to form The Stour Valley and Poole Partnership from 1 April 2015.

### **Significant Contingencies, Provisions and Write-Offs**

The introduction of the new Business Rates Retention Scheme has meant that a provision for back dated appeals has needed to be created. The overall provision for appeals has been assessed to be £2,843,631 of which North Dorset District Council needs to set aside 40% which equates to £1,137,452.

Sundry debtors (invoices) are issued by a number of sections within the Council and are used to collect income for a variety of services. Examples include industrial unit, building control fees and housing benefit overpayments. Sundry debts are actively dealt with as and when they arise and in most instances are soon cleared. In accordance with good financial management principles the Council has made a provision for bad debts of £1,458,500. This provision recognises that a proportion of the authority's debts will prove irrecoverable and ensures that the value of debtors within the authority's accounts is a fair reflection of the amount that will eventually be recovered. An amount of £32,106 was written off against the bad debt provision during 2017/18. A register is kept of debts written off and the reason, so that if a debtor is traced in the future the debts may be pursued again. In addition a provision for bad debt that relates to the Collection Fund (Council Tax and Non-Domestic Rates) has also been made totalling £1,810,000 which means the total of all provisions for bad debt is £3,268,500.

### **Compliance with the Code**

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



## NARRATIVE STATEMENT

### Collection Fund

The average Band D Council Tax in 2017/18 was £121.96, representing an increase of £5 over 2016/17. Actual amounts billed total £48.4m of which 98.29% was collected in-year (compared to 98.28% in 2016/17), and after adjustments to the bad debt provision a surplus of £957k was shown. This was added to the surplus of £962k 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 £12.8m of which 99.45% was collected in-year (compared to 98.39% in 2016/17), and after adjustments to the bad debt and appeal provisions a deficit of £220k was shown. This was offset against the Non-Domestic Rates Adjustment Account to be recovered over the next 2 years.

### Pensions

The notes to the Core Financial Statements show the assets of the pension fund relating to the Council, as required by International Reporting Standard (IAS) 19. This has increased the costs shown against services in the Income and Expenditure Account and the effect is disclosed in Note 25 and Note 36 to the Core Financial Statements. Assets currently represent 67.3% of liabilities (64.3% 2016/17).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The deficit on the pension fund is disclosed on the Balance Sheet under long term liabilities; the total liabilities of £59,898 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall liability of £19,582 million (£21.628m at 31 March 2017). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

## NARRATIVE STATEMENT

### Non-Financial Performance

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

	Actual 2017/18	Target 2017/18	Actual 2016/17
Average number of working days lost to sickness	7.23 days	7 days	7.63 Days
Percentage of creditors paid by BACS	99.61%	95.00%	94.26%
Percentage of non-disputed invoices paid within 30 calendar days	95.00%	95.00%	99.04%
Average calendar days to process new housing benefit claims	18.9 Days	19 Days	19.76 Days
Average days to process housing benefit changes of circumstances	5.65 Days	10 Days	7.06 Days
Percentage of Council Tax collected	98.29%	98.00%	98.28%
Percentage of Business Rates collected	99.45%	98.00%	98.39%
Percentage of "minor" planning applications determined within 13 weeks	-	-	81.00%
Percentage of "major" planning applications determined within 13 weeks or agreed extension of time.	86.85%	70.00%	-
Percentage of "major" planning applications determined within 13 weeks or agreed extension of time.	86.85%	70.00%	100.00%

A full list of non financial performance information can be found within the Business Review Outturn Report that is due to be presented to Cabinet in June 2018 via [www.dorsetforyou.com](http://www.dorsetforyou.com)

### Current Economic Climate

Despite the current adverse economic conditions, the Authority's robust approach to budgeting and budget monitoring through the business review has enabled the General Fund Balance to increase by £1,770k. With a General Fund Balance of £7,821k (including Earmarked Reserves) as at 31 March 2018 the Authority is currently planning to face the anticipated further reductions in Government grants and to weather the impact of any further economic downturn. The latest Medium Term Financial Forecast predicted that savings of £0.54m would need to be found by 2019/20 to ensure a balanced budget is set. However, the council will now work with the other Dorset Authorities to produce a balanced budget for the new unitary authority.

## NARRATIVE STATEMENT

### Local Government Reorganisation

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. This change will help protect local services, generate further economic growth, reduce costs and provide brand-new, more efficient councils structured around communities. Subject to legislation, the new councils will come into existence in April 2019.

One council will cover Bournemouth, Christchurch and Poole, with the other serving the rest of Dorset. The parliamentary process has begun to establish the new authorities and two separate, Joint Committees are leading the development of the new councils. Legal orders should be concluded in June 2018 and Shadow Authorities will then be formed. Each Shadow Authority will include the councillors from within the areas covered by the new authority and each will elect a Shadow Executive responsible for making decisions until the first, direct elections for the new councils take place in May 2019.

### Post Balance Sheet Events

The Statement of Accounts were for issue by the Strategic Director (Section 151 Officer) on 31 May 2018.

At its meeting in April 2016 Cabinet originally agreed the marketing strategy for the Nordon site. However, as part of the site remains operational and any sale is dependent on planning permission being obtained, reclassification to an asset held for sale is suspended until that permission has been given. If planning permission is granted then part of the site will be sold and used to provided a site with 100% affordable housing. The net book value of the asset as at 31 March 2018 was £2,096,000.

### Further Information

Further information about the accounts is available from the Financial Services Division, North Dorset District Council, Nordon, Salisbury Road, Blandford Forum, Dorset DT11 7LL. It is the Council's policy to provide full information to the public about its affairs. Interested Members of the Public have a statutory right to inspect the accounts before the audit is completed and further details are provided on the Council's website ([www.dorsetforyou.com](http://www.dorsetforyou.com)).

The accounts will be audited by KPMG LLP, 3 Assembly Square, Britannia Quay, Cardiff Bay, Cardiff, CF10 4AX.

The unaudited accounts were issued on 29 May 2018 and the audited accounts are due to be authorised for issue on 31 July 2018.

## 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 Strategic Director, Jason Vaughan, FCCA, CPFA, IRRV (Hons)
- 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 Strategic Director, 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 has also:

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

The Chief Financial Officer should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year then ended.

**CERTIFICATION OF THE STATEMENT OF ACCOUNTS 2017/2018**

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and its income and expenditure for the year then ended.

Jason Vaughan, FCCA, CPFA, IRRV (Hons)  
Strategic Director & Chief Finance Officer (S151 Officer)  
Date: 29 May 2018

*Jason Vaughan*

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**RE-CERTIFICATION PRIOR TO APPROVAL AT ACCOUNTS & AUDIT COMMITTEE MEETING**

Jason Vaughan, FCCA, CPFA, IRRV (Hons)  
Strategic Director & Chief Finance Officer (S151 Officer)  
Date:

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**Certification by the Chairman of the Accounts and Audit Committee**

I confirm that these accounts were approved by the Accounts and Audit Committee at the meeting held on 31 July 2018

Signed on Behalf of North Dorset District Council:  
Chair of the meeting approving the accounts: Cllr. A. Burch  
Date:

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## **Independent Auditor's report to the Members of North Dorset District Council**

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## 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.

<b>2016/17</b>				<b>2017/18</b>			
<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustment between Funding and Accounting Basis</b>	<b>Net Expenditure in C I E S</b>		<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustment between Funding and Accounting Basis</b>	<b>Net Expenditure in C I E S</b>	
(85)	(263)	178	Assets & Infrastructure	(216)	(695)	<b>479</b>	
951	(48)	1,000	Business Improvement	1,083	(85)	<b>1,168</b>	
2,283	(184)	2,467	Community Protection	2,013	(238)	<b>2,251</b>	
439	(5)	444	Democratic Services & Elections	383	(15)	<b>398</b>	
(95)	(342)	246	Economy, Leisure & Tourism	184	(446)	<b>630</b>	
945	(297)	1,242	Financial Services	963	(298)	<b>1,261</b>	
328	(13)	341	Housing	284	(47)	<b>331</b>	
129	(4)	133	Human Resources and Organisational Development	106	(14)	<b>120</b>	
89	(7)	96	Legal Services	83	(18)	<b>101</b>	
362	(16)	379	Community & Policy Development	218	(49)	<b>267</b>	
514	(41)	556	Planning Development Management & Building Control	316	(153)	<b>469</b>	
298	0	298	Revenues and Benefits	258	(1)	<b>259</b>	
<u>6,160</u>	<u>(1,218)</u>	<u>7,378</u>	<b>Net Cost of Services</b>	<u>5,674</u>	<u><b>(2,060)</b></u>	<u><b>7,734</b></u>	
<u>(7,692)</u>	<u>(380)</u>	<u>(7,312)</u>	Other income and Expenditure	<u>(7,444)</u>	<u>(471)</u>	<u><b>(6,973)</b></u>	
<u>(1,532)</u>	<u>(1,598)</u>	<u>66</u>	<b>Surplus or deficit</b>	<u>(1,770)</u>	<u><b>(2,531)</b></u>	<u><b>761</b></u>	
(4,519)			<b>Opening Balance General Fund 1st April</b>	(6,051)			
<u>(1,532)</u>			<b>(Surplus)/Deficit for the year</b>	<u>(1,770)</u>			
<u><b>(6,051)</b></u>			<b>Closing Balance General Fund 31st March</b>	<u><b>(7,821)</b></u>			

## 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. 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.

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
908	(730)	178	Assets & Infrastructure	1,219	(740)	479
1,005	(5)	1,000	Business Improvement	1,189	(21)	1,168
2,627	(160)	2,467	Community Protection	2,612	(361)	2,251
645	(201)	444	Democratic Services & Elections	656	(258)	398
431	(185)	246	Economy, Leisure & Tourism	783	(153)	630
1,824	(582)	1,242	Financial Services	1,407	(146)	1,261
365	(24)	341	Housing	562	(231)	331
134	(1)	133	Human Resources and Organisational Development	120	0	120
230	(134)	96	Legal Services	196	(95)	101
423	(44)	379	Community & Policy Development	499	(232)	267
1,149	(593)	556	Planning Development Management & Building Control	1,328	(859)	469
18,201	(17,903)	298	Revenues and Benefits	17,289	(17,030)	259
<b>27,942</b>	<b>(20,564)</b>	<b>7,378</b>	<b>Cost of Services</b>	<b>27,860</b>	<b>(20,126)</b>	<b>7,734</b>
2,523	(131)	2,392	Other Operating Expenditure (Note 12)	2,801	0	2,801
737	(475)	262	Financing and Investment Income and Expenditure (Note 13)	554	(554)	0
0	(9,966)	(9,966)	Taxation and Non-Specific Grant Income (Note 14)	0	(9,774)	(9,774)
<b>31,202</b>	<b>(31,136)</b>	<b>66</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>31,215</b>	<b>(30,454)</b>	<b>761</b>
		0	(Surplus)/Deficit on Revaluation of Non-Current Assets			(1,549)
		(541)	(Surplus)/Deficit on Revaluation of Available-for-Sale Financial Assets			184
		(708)	Remeasurement of the net defined benefit liability			(3,250)
		<b>(1,249)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(4,615)</b>
		<b>(1,183)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(3,854)</b>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

	General Fund Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Comparative Year (Restated)</b>					
<b>Balance as at 31 March 2016</b>	<b>4,519</b>	<b>2,532</b>	<b>7,051</b>	<b>( 7,667)</b>	<b>( 616)</b>
<b>Movement in Reserves during 2016/17</b>					
Total Comprehensive Income and Expenditure during 2016/17	( 66)	0	<b>( 66)</b>	1,249	<b>1,183</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,598	( 320)	<b>1,278</b>	( 1,278)	<b>0</b>
<b>Increase/(Decrease) in 2016/17</b>	<b>1,532</b>	<b>( 320)</b>	<b>1,212</b>	<b>( 29)</b>	<b>1,183</b>
<b>Balance as at 31 March 2017 carried forward</b>	<b>6,051</b>	<b>2,212</b>	<b>8,263</b>	<b>( 7,696)</b>	<b>567</b>
<b>Current Year</b>					
<b>Movement in Reserves during 2017/18</b>					
Total Comprehensive Income and Expenditure 2017/18	( 761)	0	<b>( 761)</b>	4,615	<b>3,854</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	2,531	( 80)	<b>2,451</b>	( 2,451)	<b>0</b>
<b>Increase/(Decrease) in 2017/18</b>	<b>1,770</b>	<b>( 80)</b>	<b>1,690</b>	<b>2,164</b>	<b>3,854</b>
<b>Balance as at 31 March 2018 carried forward</b>	<b>7,821</b>	<b>2,132</b>	<b>9,953</b>	<b>( 5,532)</b>	<b>4,421</b>

## 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, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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".

<b>31 March 2017 £'000</b>		<b>Notes</b>	<b>31 March 2018 £'000</b>
	Property, Plant & Equipment	15	
10,007	Other Land and Buildings		10,399
127	Vehicles, Plant, Furniture and Equipment		53
223	Infrastructure		200
271	Community Assets		156
<u>1,025</u>	Surplus Assets	16	<u>500</u>
11,653			11,308
1,970	Investment Property	17	1,800
8	Intangible Assets		0
<u>715</u>	Long-term Debtors	18	<u>535</u>
<u>14,346</u>	<b>Long-term Assets</b>		<u>13,643</u>
11,489	Short-term Investments	18	13,812
0	Assets held for sale	21	946
0	Inventories		0
745	Short-term Debtors	19	941
<u>4,303</u>	Cash and Cash Equivalents	20	<u>4,859</u>
<u>16,537</u>	<b>Current Assets</b>		<u>20,558</u>
(63)	Bank Overdraft	20	(68)
(4,276)	Short-term Creditors	22	(5,658)
<u>(670)</u>	Provisions	23	<u>(1,172)</u>
<u>(5,009)</u>	<b>Current Liabilities</b>		<u>(6,898)</u>
(21,628)	Pension Liability	36	(19,582)
<u>(3,679)</u>	Other Long-term Liabilities		<u>(3,300)</u>
<u>( 25,307)</u>	<b>Long-term Liabilities</b>		<u>( 22,882)</u>
<u><u>567</u></u>	<b>Net Assets</b>		<u><u>4,421</u></u>
	Usable Reserves	24	
2,201	General Fund		3,023
<u>3,850</u>	Earmarked Reserves		<u>4,798</u>
6,051		11	7,821
<u>2,212</u>	Capital Receipts Reserve		<u>2,132</u>
<u>8,263</u>			<u>9,953</u>
	Unusable Reserves	25	
2,107	Revaluation Reserve		3,643
427	Available-for-Sale Financial Instruments Reserve		243
(21,628)	Pensions Reserve		(19,582)
11,524	Capital Adjustment Account		10,410
(98)	Collection Fund Adjustment Account		(204)
<u>(28)</u>	Accumulated Absences Account		<u>(42)</u>
<u>( 7,696)</u>			<u>(5,532)</u>
<u><u>567</u></u>	<b>Total Reserves</b>		<u><u>4,421</u></u>

The unaudited accounts were issued on 31 May 2018 and the audited accounts are due to be authorised for issue on 31 July 2018.

## 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 (i.e. borrowing) to the Council.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
(66)	Net Surplus or (Deficit) on the Provision of Services	(761)
1,888	Adjustments to Net Surplus or Deficit on Provision of Services for non-cash movements. (Note 26)	2,775
(132)	Adjustments for items included in Net Surplus or Deficit on Provision of Services that are investing and financing activities. (Note 23)	(187)
<hr/>		
<b>1,690</b>	Net Cash Flows from Operating Activities (Note 26)	<b>1,827</b>
(3,314)	Investing Activities (Note 27)	(2,346)
2,202	Financing Activities (Note 28)	1,070
<hr/>		
<b>578</b>	Net Increase or (Decrease) in Cash	<b>551</b>
3,662	Cash and Cash Equivalents at the beginning of the reporting period	4,240
<hr/>		
<b><u>4,240</u></b>	Cash and Cash Equivalents at the end of the reporting period (Note 20)	<b><u>4,791</u></b>

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts 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 2017/18 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.
- Both Non Domestic Rates (NDR) and Council Tax are accounted for on an agency basis. For NDR this means that the Council is dealing with the collection of business rates on behalf of the Government, Dorset County Council and Dorset Fire Authority as well as for North Dorset. For Council Tax the Authority is collecting precepts on behalf of Dorset County Council, Dorset Police and Fire Authorities as well as North Dorset District Council Precepts. The accounts reflect the amount that is attributable to North Dorset only. Further information is contained within the Collection Fund Accounts.

### 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.

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.

## NOTES TO THE ACCOUNTS

### **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, i.e. 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.

### **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 (e.g. 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, e.g. 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.

## NOTES TO THE ACCOUNTS

### 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 Non Distributed Costs and is included in the Financial Services line 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 Pensions Scheme administered by Dorset County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked 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 - i.e. 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 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 discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated bond curve.

- 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 as part of Non Distributed Costs

- *net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.*



## NOTES TO THE ACCOUNTS

- Remeasurements Comprising:

- *the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure*

- *actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure*

- *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. The amount of the negative balance has to be found in the future.

### **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.

## NOTES TO THE 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 all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase 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 Authority 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.

## NOTES TO THE ACCOUNTS

### 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 (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

## NOTES TO THE ACCOUNTS

### **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.

### **xi. 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.

### **xii. 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 the share of income it earns from the activity of the operation.

The Authority is involved in two such operations - the Stour Valley and Poole Partnership (which administers Council Tax, Business Rates and Housing Benefits) and the Tri-Council Partnership with West Dorset District Council and Weymouth and Portland Borough Council.

### **xiii. 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**

##### **Operating Leases**

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

## NOTES TO THE ACCOUNTS

### **xiv. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

### **xv. 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and 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 (i.e. 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.

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.

## NOTES TO THE ACCOUNTS

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Depreciation is calculated using the straight-line method:
- Newly acquired assets (excluding IT costs that are depreciated in the year of acquisition) are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use:
- Depreciation periods are disclosed in Note 15 to the Core Financial Statements

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.

## NOTES TO THE ACCOUNTS

### **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 (i.e. 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 Authority'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.

### **xvi. 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 authority 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

## NOTES TO THE ACCOUNTS

### **xvii. 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 relevant policies.

### **xviii. 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 Authority 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.

### **xix. 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.

### **xx. 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 £300,000 (approximately 2% of total non current assets as at 31.3.12) and the component is at least 20% of the non-current asset.



## NOTES TO THE ACCOUNTS

### **xxi. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets (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 market participants at the measured 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.

## NOTES TO THE ACCOUNTS

### 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:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

All of these standards will be incorporated into the Code from 2018/19 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, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

(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 33 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO THE ACCOUNTS

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
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 marked 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.
Non Domestic 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. The scheme is still in its infancy and making a reliable assumption on the level of successful appeals is difficult.	Failure to accurately predict the level of refunds will have an impact on the general fund and other preceptors.
Distribution of Collection Fund Balances	<p>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.</p> <p>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.</p>	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.

## NOTES TO THE ACCOUNTS

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 an 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 Council has not set aside an amount from reserves to mitigate the impact of any adverse changes in subsidy income as a result of the audit and any changes will be adjusted in future years using reserves.
Income	The Council relies heavily on fees and charges to balance its budget.	A reduction in income of £25,687.70 is the equivalent of a £1 increase in Council Tax for a Band D property
Debtors	At 31 January 2018, the Council's outstanding balance for sundry debtors was £268,067. A provision for impairment has been made based on the number of days an invoice 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.

## NOTES TO THE ACCOUNTS

### 5. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of Income and Expense that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

### 6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Strategic Director on 29 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At its meeting in April 2016 Cabinet originally agreed the marketing strategy for the Nordon site. However, as part of the site remains operational and any sale is dependent on planning permission being obtained, reclassification to an asset held for sale is suspended until that permission has been given. If planning permission is granted then part of the site will be sold and used to provide a site with 100% affordable housing. The net book value of the asset as at 31 March 2018 was £2,096,000.

## NOTES TO THE ACCOUNTS

### 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

#### Adjustments between Funding and Accounting Basis 2017/18

	Adjustment for Capital Purposes (Note a) £'000	Net change for the pension adjustment (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Assets & Infrastructure	(662)	(33)	0	(695)
Business Improvement	(23)	(62)	0	(85)
Community Protection	(166)	(72)	0	(238)
Democratic Services & Elections	0	(15)	0	(15)
Economy, Leisure & Tourism	(440)	(6)	0	(446)
Financial Services	(102)	(182)	(15)	(299)
Housing	0	(47)	0	(47)
Human Resources and Organisational Development	0	(14)	0	(14)
Legal Services	0	(18)	0	(18)
Community & Policy Development	0	(49)	0	(49)
Planning Development Management & Building Control	0	(153)	0	(153)
Revenues and Benefits	0	(1)	0	(1)
	(1,393)	(652)	(15)	(2,060)
Other income and expenditure	187	(553)	(105)	(471)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>(1,206)</b>	<b>(1,205)</b>	<b>(120)</b>	<b>(2,531)</b>

## NOTES TO THE ACCOUNTS

### Adjustments between Funding and Accounting Basis 2016/17 (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
Assets & Infrastructure	(253)	(10)	0	(263)
Business Improvement	(32)	(16)	0	(48)
Community Protection	(163)	(21)	0	(184)
Democratic Services & Elections	0	(5)	0	(5)
Economy, Leisure & Tourism	(340)	(2)	0	(342)
Financial Services	0	(297)	0	(297)
Housing	0	(13)	0	(13)
Human Resources and Organisational Development	0	(4)	0	(4)
Legal Services	0	(7)	0	(7)
Community & Policy Development	0	(16)	0	(16)
Planning Development Management & Building Control	0	(41)	0	(41)
Revenues and Benefits	0	0	0	0
	(788)	(430)	0	(1,218)
Other income and expenditure	55	(736)	301	(380)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>(733)</b>	<b>(1,166)</b>	<b>301</b>	<b>(1,598)</b>

(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.

## NOTES TO THE ACCOUNTS

### 8. SEGMENTAL INCOME NOTE

Income received on a segmental basis is analysed below:

	<b>Income from Services 2017/18 £'000</b>	<b>Income from Services 2016/17 £'000</b>
Housing Benefits	(16,862)	(17,777)
Planning Development Control	(718)	(400)
Car Parking	(650)	(654)
Grants to Run Elections	(244)	(183)
Refuse Collection	(230)	0
Gillingham Area Development	(174)	0
Revenues and Benefits Partnership	(169)	(127)
Choice Based Lettings	(164)	0
Blandford Leisure Centre	(153)	(185)
Building Control	(140)	(193)
Licensing	(116)	(122)
Land Charges	(94)	(133)
Commercial Assets	(47)	(44)
Bed & Breakfast Accomodation	(33)	0
Planning Policy	(30)	(41)
Operational Assets	(30)	0
Neighbourhood Planning	(20)	0
Community Housing Fund Grant	0	(303)
Rural Services Grant	0	(238)
Other Income	(252)	(164)
	<u>(20,126)</u>	<u>(20,564)</u>



## NOTES TO THE ACCOUNTS

### 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee benefits expenses	4,683	4,312
Net Pension Interest Costs	553	737
Other services expenses	21,842	22,842
Depreciation, amortisation and impairment	1,393	788
Precepts and levies	2,744	2,523
Total Expenditure	31,215	31,202
<b>Income</b>		
Fees and Charges	(3,368)	(2,970)
Other Service Grants and Contributions	(16,758)	(17,594)
Gain on disposal of assets	0	(131)
Income in relation to investment properties	(109)	0
Interest and Investment Income	(445)	(475)
Income from council tax and non-domestic rates	(6,779)	(6,805)
Non-Specific Government Grants and Contributions	(2,995)	(3,161)
Total Income	(30,454)	(31,136)
<b>(Surplus) or deficit on the provision of services</b>	761	66

## NOTES TO THE ACCOUNTS

### 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.

## NOTES TO THE ACCOUNTS

	Usable Reserves	
	General Fund Balance £'000	Capital Receipts Reserve £'000
<b>2017/18</b>		
<b>Adjustments to the Revenue Resources</b>		
<b>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:</b>		
Pensions costs (transferred to (or from) the Pensions Reserve)	1,205	
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	106	
Holiday pay (transferred to the Accumulated Absences Reserve)	14	
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)	1,393	
<b>Total Adjustments to Revenue Resources</b>	<b>2,718</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(187)	187
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(187)</b>	<b>187</b>
<b>Adjustments to Capital Resources</b>		
Use of the Capital Receipts Reserve to finance capital Expenditure		(267)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(267)</b>
<b>Total Adjustments</b>	<b>2,531</b>	<b>(80)</b>

## NOTES TO THE ACCOUNTS

	Usable Reserves	
	General Fund Balance £'000	Capital Receipts Reserve £'000
<b>2016/17 Comparative</b>		
<b>Adjustments to the Revenue Resources</b>		
<b>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:</b>		
Pensions costs (transferred to (or from) the Pensions Reserve)	1,166	
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(170)	
Holiday pay (transferred to the Accumulated Absences Reserve)	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)	733	
<b>Total Adjustments to Revenue Resources</b>	<b>1,729</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(131)	131
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(131)</b>	<b>131</b>
<b>Adjustments to Capital Resources</b>		
Use of the Capital Receipts Reserve to finance capital Expenditure		(451)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(451)</b>
<b>Total Adjustments</b>	<b>1,598</b>	<b>(320)</b>

## NOTES TO THE ACCOUNTS

### 11. TRANSFERS TO/FROM THE GENERAL FUND (INCLUDES 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 2017/18.

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
Community Rural Enterprise Partnership	5	( 5)	0	0	0	0	0
Liveability Fund	10	( 10)	0	0	0	0	0
Regional Housing Pot Reserve	20	( 20)	0	0	0	0	0
Stour Valley Partnership	20	( 20)	0	0	0	0	0
District Council Elections	25	( 25)	0	0	0	0	0
Gypsy site allocation assessment	28	( 28)	0	0	0	0	0
Personal Search Fees	38	( 38)	0	0	0	0	0
Electoral Registration (IER)	45	( 45)	0	0	0	0	0
Business Support - Flood Relief Grant	143	( 143)	0	0	0	0	0
Gillingham LC VAT provision	310	( 310)	0	0	0	0	0
Community Safety Partnership	23	( 23)	0	0	0	0	0
Gold Hill Reserve	13	0	0	13	0	0	13
IER Ring-fenced Grant	0	0	0	0	0	13	13
Planning Policy studies	23	0	0	23	0	0	23
Dorset Home Choice Reserve	0	0	0	0	0	24	24
Grants Reserve	46	( 51)	21	16	0	30	46
Blandford Leisure Centre Utilities Reserve	50	0	0	50	0	0	50
Legal Reserve	30	( 10)	38	58	0	0	58
Community Development SLA	60	0	0	60	0	0	60
Neighbourhood Plan	50	0	20	70	( 23)	20	67
Development Services Improvement Plan	72	0	0	72	0	0	72
Economic Growth Fund	137	( 16)	0	121	( 24)	0	97
Homelessness Prevention	15	0	0	15	0	95	110
Gillingham Area Development	0	0	0	0	( 32)	189	157
Transformation Reserve	200	0	0	200	0	0	200
Invest to Save	200	( 25)	48	223	( 2)	0	221
Community Housing Reserve	0	0	238	238	( 3)	0	235
IT Reserve	294	( 30)	0	264	0	0	264
Council Restructuring (Redundancy Costs)	400	0	0	400	0	0	400
Treasury Reserve	125	0	202	327	0	245	572
Business Rate Retention Scheme	424	0	165	589	0	416	1,005
Support for Revenue Budget	784	0	327	1,111	0	0	1,111
General Fund	929	0	1,272	2,201	( 159)	981	3,023
<b>TOTAL GENERAL FUND BALANCES</b>	<b>4,519</b>	<b>( 799)</b>	<b>2,331</b>	<b>6,051</b>	<b>( 243)</b>	<b>2,013</b>	<b>7,821</b>

## NOTES TO THE ACCOUNTS

### 12. OTHER OPERATING EXPENDITURE

	2017/18	2016/17
	£'000	£'000
Parish council precepts	2,744	2,523
(Gains)/losses on disposal of non-current assets	57	(131)
<b>TOTAL</b>	<b>2,801</b>	<b>2,392</b>

### 13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18	2016/17
	£'000	£'000
Net Pension interest costs	553	737
Interest receivable and similar income	(445)	(322)
Income and expenditure in relation to investment properties and changes in their fair value	(108)	(153)
<b>TOTAL</b>	<b>0</b>	<b>262</b>

### 14. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18	2016/17
	£'000	£'000
Council tax income	(6,057)	(5,650)
Non-domestic rates income and expenditure	(722)	(1,155)
Non-ring-fenced government grants	(2,995)	(3,161)
<b>TOTAL</b>	<b>(9,774)</b>	<b>(9,966)</b>

## NOTES TO THE ACCOUNTS

### 15. PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances

#### Movements in 2017/18

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>						
At 1 April 2017	10,881	2,172	260	271	1,025	<b>14,609</b>
Additions	0	0	0	0	0	<b>0</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,146	0	0	0	0	<b>1,146</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(699)	0	0	0	(400)	<b>(1,099)</b>
Asset Reclassification (to) / from held for sale	(955)					<b>(955)</b>
Derecognition - disposals	(31)	(1,790)	0	0	0	<b>(1,821)</b>
Reclassification	260	0	(20)	(115)	(125)	<b>0</b>
<b>At 31 March 2018</b>	<b>10,602</b>	<b>382</b>	<b>240</b>	<b>156</b>	<b>500</b>	<b>11,880</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2017	(874)	(2,045)	(37)	0	0	<b>(2,956)</b>
Depreciation charge	(211)	(46)	(3)	0	0	<b>(260)</b>
Depreciation written out to the Revaluation Reserve	402	0	0	0	0	<b>402</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	468	0	0	0	0	<b>468</b>
Asset Reclassification to / (from) held for sale	9					<b>9</b>
Derecognition - disposals	3	1,762	0	0	0	<b>1,765</b>
<b>At 31 March 2018</b>	<b>(203)</b>	<b>(329)</b>	<b>(40)</b>	<b>0</b>	<b>0</b>	<b>(572)</b>
<b>Net Book Value</b>						
<b>At 31 March 2018</b>	<b>10,399</b>	<b>53</b>	<b>200</b>	<b>156</b>	<b>500</b>	<b>11,308</b>
<b>At 31 March 2017</b>	<b>10,007</b>	<b>127</b>	<b>223</b>	<b>271</b>	<b>1,025</b>	<b>11,653</b>

## NOTES TO THE ACCOUNTS

### Comparative Movements in 2016/17

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>						
At 1 April 2016	10,862	1,990	260	271	1,025	<b>14,408</b>
Additions	19	0	0	0	0	<b>19</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	<b>0</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	<b>0</b>
Derecognition - disposals	0	182	0	0	0	<b>182</b>
<b>At 31 March 2017</b>	<b>10,881</b>	<b>2,172</b>	<b>260</b>	<b>271</b>	<b>1,025</b>	<b>14,609</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2016	(583)	(1,815)	(35)	0	0	<b>(2,433)</b>
Depreciation charge	(291)	(47)	(2)	0	0	<b>(340)</b>
Derecognition - disposals	0	(183)	0	0	0	<b>(183)</b>
<b>At 31 March 2017</b>	<b>(874)</b>	<b>(2,045)</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>(2,956)</b>
<b>Net Book Value</b>						
<b>At 31 March 2017</b>	<b>10,007</b>	<b>127</b>	<b>223</b>	<b>271</b>	<b>1,025</b>	<b>11,653</b>

### Depreciation

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

- Buildings owned by the Council – between 5 and 45 years as advised by the valuer.
- Buildings leased by the Council – the term of the lease.
- Infrastructure Assets – 100 years
- Public Conveniences – between 15 and 20 years as advised by the valuer.
- Children's Play Equipment – 8 years.
- Plant and Equipment – normally 3 to 5 years, or a more appropriate period dependent upon the type of asset acquired.
- Intangible Assets – 3 years

### Capital Commitments

The Council does not have any major capital commitments



## NOTES TO THE ACCOUNTS

### 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. A full revaluation of all assets took place during 2017/18.

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	356	53	0	409
Valued at fair value as at:				
31 March 2018	10,899	0	0	10,899
31 March 2017	0	0	0	0
31 March 2016	0	0	0	0
31 March 2015	0	0	0	0
31 March 2014	0	0	0	0
<b>Total Cost or Valuation</b>	<b>11,255</b>	<b>53</b>	<b>0</b>	<b>11,308</b>

### 16. SURPLUS ASSETS

The class of assets "held for sale" has strict criteria that need to be met before an asset can be included under its heading. Assets that are not in use but do not meet these criteria will be categorised as surplus assets. Surplus assets need to be shown in the balance sheet based on their "Fair Value Measurement". Fair value is a measurement based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

International Financial Reporting Standard 13 (IFRS 13) seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. Details of these levels can be found within the accounting policies.

All the Council's surplus assets have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year. In estimating their fair value, the Council's surplus assets have been valued to their highest and best use.

The movement in the value of surplus assets are analysed below:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year	1,025	1,025
Reclassified to Operational	(125)	0
Net gains/(losses) from fair value adjustment	(400)	0
<b>Balance at end of the year</b>	<b>500</b>	<b>1,025</b>

## NOTES TO THE ACCOUNTS

### 17. INVESTMENT PROPERTY

Investment Properties 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. Investment Properties need to be shown in the balance sheet based on their "Fair Value Measurement". Fair value is a measurement based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

International Financial Reporting Standard 13 (IFRS 13) seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. Details of these levels can be found within the accounting policies.

All the Council's investment properties have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio.

There has been no change in the valuation techniques used during the year. In estimating their fair values, the Council's investment properties have been valued at their highest and best use.

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

The movement in the fair value of investment properties are analysed below:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year	1,970	1,915
Disposals	(170)	0
Net gains/(losses) from fair value adjustment	0	55
<b>Balance at end of the year</b>	<b><u>1,800</u></b>	<b><u>1,970</u></b>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### 18. FINANCIAL INSTRUMENTS

#### **Financial Instruments - Classifications**

The definition of a financial instrument is: 'Any 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 taxes or Government Grants do not give rise to financial instruments.*

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing and investment transactions are classified as 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 are potentially unfavourable to the Council.

The Council did not have any short term borrowing outstanding as at 31 March 2018.

#### **Financial Assets**

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call/notice accounts and structured instruments. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified as Loans and Receivables. As these are considered immaterial they have been measured at cost on the Balance Sheet.

Balances in money market funds and call accounts at 31<sup>st</sup> March 2018 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

#### **Transaction Costs**

Measurement at amortised cost permits transaction costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council did not incur any transaction costs in 2017/18.

## NOTES TO THE ACCOUNTS

### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
<b>Investments</b>				
Loans and Receivables	0	0	500	5,001
Available-for-Sale Financial Assets	0	0	13,312	6,488
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>13,812</b>	<b>11,489</b>
<b>Debtors</b>				
Loans and Receivables	535	715	0	0
Financial assets carried at contract amounts	0	0	436	177
<b>Total Debtors</b>	<b>535</b>	<b>715</b>	<b>436</b>	<b>177</b>
<b>Creditors</b>				
Loans and Receivables	(253)	(436)	0	0
Financial liabilities carried at contract amounts	0	0	(1,717)	(2,075)
<b>Total Creditors</b>	<b>(253)</b>	<b>(436)</b>	<b>(1,717)</b>	<b>(2,075)</b>

### Income, Expense, Gains and Losses

2017/18

	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Interest income	43	0	43
Dividend income	0	402	402
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>43</b>	<b>402</b>	<b>445</b>
Gains or Losses on revaluation	0	( 184)	( 184)
<b>Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(184)</b>	<b>(184)</b>
<b>Net gain/(loss) for the year</b>	<b>43</b>	<b>218</b>	<b>261</b>

## NOTES TO THE ACCOUNTS

### 2016/17 Comparatives

	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£'000	£'000	£'000
Interest income	35	0	35
Dividend income	0	287	287
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>35</b>	<b>287</b>	<b>322</b>
Losses on revaluation	0	541	541
<b>Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>541</b>	<b>541</b>
<b>Net gain/(loss) for the year</b>	<b>35</b>	<b>828</b>	<b>863</b>

### Fair Values of Assets and Liabilities

The Council's long term Financial Assets (with the exception of Available-for-Sale Assets) and Financial Liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in International Financial Reporting Standard 13 (IFRS 13) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

In the case of the Council's Loans and Receivables Investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default).

The following financial instruments are included in the Balance Sheet:

	31 March 2018		31 March 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Assets:</b>				
<b>Loans and Receivables - Long Term:</b>				
Other Advances	535	535	715	715
<b>Loans and Receivables - Current:</b>				
Receivables	436	436	177	177
Short Term Investments	13,812	13,812	11,489	11,489
Bank Deposits	4,859	4,859	4,303	4,303
<b>Total Loans &amp; Receivables</b>	<b>19,642</b>	<b>19,642</b>	<b>16,684</b>	<b>16,684</b>
<b>Financial Liabilities at Amortised Cost:</b>				
<b>Loans and Liabilities - Current:</b>				
Payables	(1,717)	(1,717)	(2,075)	(2,075)
Bank Overdraft	(68)	(68)	(63)	(63)
<b>Loans and Liabilities - Long Term:</b>				
Payables	(253)	(253)	(419)	(419)
<b>Total Financial Liabilities</b>	<b>(2,038)</b>	<b>(2,038)</b>	<b>(2,557)</b>	<b>(2,557)</b>

Available for sale assets are carried in the Balance Sheet at their fair value. These values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## NOTES TO THE ACCOUNTS

### 19. DEBTORS

	2017/18 £'000	2016/17 £'000
Central Government Bodies	462	447
Impairment	0	0
	<u>462</u>	<u>447</u>
Other Local Authorities	217	82
Impairment	0	0
	<u>217</u>	<u>82</u>
NHS Trusts	0	1
Impairment	0	0
	<u>0</u>	<u>1</u>
Other Entities and Individuals	2,044	1,946
Impairment	(1,782)	(1,731)
	<u>262</u>	<u>215</u>
<b>TOTAL DEBTORS</b>	<b><u>941</u></b>	<b><u>745</u></b>

### 20. CASH AND CASH EQUIVALENTS

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

	2017/18 £'000	2016/17 £'000
Cash held by the Authority	1	0
Bank Current Accounts	142	32
Money Market Funds	4,001	3,501
Call Accounts	715	770
<b>Total Cash and Cash Equivalents Balance included within current assets</b>	<b><u>4,859</u></b>	<b><u>4,303</u></b>
Bank Overdrawn	(68)	(63)
<b>Total Cash and Cash Equivalents Balance</b>	<b><u>4,791</u></b>	<b><u>4,240</u></b>

### 21. ASSETS HELD FOR SALE

During the year the Council took the decision to actively market the cattle market in Shaftesbury for disposal. As there is a reasonable expectation that a sale will be achieved within 12 months, management has decided to re-classify the asset as an Asset Held for Sale.

	2017/18 £'000	2016/17 £'000
Balance as at 1st April	0	0
Re-classification from Property, Plant and Equipment	946	0
	<u>946</u>	<u>0</u>

### 22. CREDITORS

	2017/18 £'000	2016/17 £'000
Central Government Bodies	( 1,626)	( 546)
Other Local Authorities	( 3,642)	( 2,951)
Other Entities and Individuals	( 390)	( 779)
	<u>( 5,658)</u>	<u>( 4,276)</u>

## NOTES TO THE ACCOUNTS

### 23. PROVISIONS

	<b>NNDR Appeals £'000</b>	<b>Staff Exit Costs £'000</b>	<b>Total £'000</b>
<b>2017/18</b>			
Balance at 1 April 2017	(657)	(13)	(670)
Utilisation of Provision	363	13	376
Additional Provisions made in 2017/18	(843)	(35)	(878)
<b>Balance at 31 March 2018</b>	<b><u>(1,137)</u></b>	<b><u>(35)</u></b>	<b><u>(1,172)</u></b>
<b>2016/17 Comparatives</b>			
Balance at 1 April 2016	(281)	0	(281)
Utilisation of Provision	335	0	335
Additional provisions made in 2016/17	(711)	(13)	(724)
<b>Balance at 31 March 2017</b>	<b><u>(657)</u></b>	<b><u>(13)</u></b>	<b><u>(670)</u></b>

#### **NNDR Appeals Provision**

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding 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 income by the authorities, but would have been transferred to the Department for Communities and Local Government (DCLG).

#### **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.

### 24. USABLE RESERVES

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 11.

## NOTES TO THE ACCOUNTS

### 25. UNUSABLE RESERVES

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	3,643	2,107
Available-for-Sale Financial Instruments Reserve	243	427
Capital Adjustment Account	10,410	11,524
Pensions Reserve	(19,582)	(21,628)
Collection Fund Adjustment Account	(204)	(98)
Accumulated Absences Account	(42)	(28)
<b>Total Unusable Reserves</b>	<b>(5,532)</b>	<b>(7,696)</b>

#### 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		2,107		2,231
Upward revaluation of assets	2,570		0	
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,022)		0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,548		0
Difference between fair value depreciation and historical cost depreciation	(12)		(77)	
Accumulated gains on assets sold or scrapped	0	(12)	(47)	(124)
<b>Balance at 31 March</b>		<b>3,643</b>		<b>2,107</b>

#### 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		427		(114)
Upward revaluation of investments	0		541	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(184)		0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(184)		541
<b>Balance at 31 March</b>		<b>243</b>		<b>427</b>



## NOTES TO THE ACCOUNTS

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

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		11,524		11,682
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(260)		(341)	
Amortisation of Intangible Assets	(7)		(15)	
Revaluation losses on Property, Plant and Equipment	(632)		0	
Revenue expenditure funded from capital under statute	(267)		(432)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(227)		0	
		(1,393)		(788)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0		55
<b>Total Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		<b>(1,393)</b>		<b>(733)</b>
<b>Adjusting amounts written out of the Revaluation Reserve</b>		12		124
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	267		451	
Adjusting amounts written out of the Capital Receipts Reserve			0	
		267		451
<b>Balance at 31 March</b>		<b>10,410</b>		<b>11,524</b>

## NOTES TO THE ACCOUNTS

### 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		(21,628)		(21,170)
Remeasurement of the net defined benefit liability/(asset)		3,250		708
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	(1,926)		(1,779)	
Employer's pensions contributions and direct payments to pensioners payable in the year	<u>722</u>		<u>613</u>	
		(1,204)		(1,166)
<b>Balance at 31 March</b>		<b><u>(19,582)</u></b>		<b><u>(21,628)</u></b>

## NOTES TO THE ACCOUNTS

### 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		(98)		(268)
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	(225)		27	
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	<u>119</u>		<u>143</u>	
		(106)		170
<b>Balance at 31 March</b>		<u><u>(204)</u></u>		<u><u>(98)</u></u>

### 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>		(28)		(28)
Settlement or cancellation of accrual made at the end of the preceding year	0		0	
Amounts accrued at the end of the current year	<u>(14)</u>		<u>0</u>	
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		<u>(14)</u>		<u>0</u>
<b>Balance at 31 March</b>		<u><u>(42)</u></u>		<u><u>(28)</u></u>

## NOTES TO THE ACCOUNTS

### 26. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18	2016/17
	£'000	£'000
Interest receivable and similar income	(438)	(322)
	<b>(438)</b>	<b>(322)</b>

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

	2017/18	2016/17
	£'000	£'000
Depreciation	260	341
Amortisation of Intangible Fixed Assets	7	15
Impairment and downward valuations	632	0
Increase/(Decrease) in Creditors	75	(344)
(Increase)/Decrease in Debtors	(132)	231
(Increase)/Decrease in Inventories	0	1
(Increase)/Decrease in Provisions	501	388
Movement in Pension Liability	1,205	1,311
Carrying amount of Non-current Assets sold or derecognised	227	0
Movements in the value of Investment Properties	0	(55)
	<b>2,775</b>	<b>1,888</b>

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

	2017/18	2016/17
	£'000	£'000
Proceeds from the sale of Non-current Assets	(187)	(132)
	<b>(187)</b>	<b>(132)</b>

### 27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18	2016/17
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	0	(19)
Purchase of Short Term and Long Term Investments	(2,500)	(4,000)
Other Payments for Investing Activities	(489)	(176)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	187	242
Other Receipts from Investing Activities	456	639
<b>Net Cash Flows from Investing Activities</b>	<b>(2,346)</b>	<b>(3,314)</b>

### 28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18	2016/17
	£'000	£'000
Billing Authorities and Precepting Authorities Collection Fund Adjustments	1,070	2,202
<b>Net Cash Flows from Financing Activities</b>	<b>1,070</b>	<b>2,202</b>

### 29. MEMBERS' ALLOWANCES

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

	2017/18	2016/17
	£'000	£'000
Allowances	221	223
Expenses	18	16
<b>Total</b>	<b>239</b>	<b>239</b>

## NOTES TO THE ACCOUNTS

### 30. OFFICERS' REMUNERATION

There is a legal requirement to disclose, by name, any employee whose salary is greater than £150,000. There is no employee at North Dorset District Council who receives a salary at this level.

North Dorset District Council is a member of the Dorset Council's Partnership which also includes West Dorset District Council and Weymouth and Portland Borough Council.

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.

The following tables set out the remuneration disclosures for senior officers whose salary is between £50,000 and £150,000 per year.

Post holder		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension contributions £	Total £
Matt Prosser (Chief Executive)	2016/17	131,300	0	0	0	16,281	147,581
	2017/18	132,613	0	0	0	20,290	152,903
Jason Vaughan (Strategic Director)	2016/17	97,920	0	0	0	12,142	110,062
	2017/18	98,849	0	0	0	15,124	113,973
Stephen Hill (Strategic Director)	2016/17	92,920	0	0	0	11,522	104,442
	2017/18	93,849	0	0	0	14,359	108,208
Martin Hamilton (Strategic Director)	2016/17	92,920	0	0	0	11,522	104,442
	2017/18	93,849	0	0	0	14,359	108,208
Stuart Caundle (Assistant Chief Executive)	2016/17	88,850	0	0	0	11,017	99,867
	2017/18	89,709	0	0	0	13,725	103,434

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	Number of Employees
	2017/18	2016/17
Between £50,000 and £54,999	2	2
Between £55,000 and £59,999	3	3
Between £60,000 and £64,999	2	1
Between £65,000 and £69,999	7	8

## NOTES TO THE ACCOUNTS

The number 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	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Between £0 and £20,000	6	3	4	1	10	4	74,923	53,106
£20,001 and £40,000	3	1	1	0	4	1	118,923	20,027
£40,001 and £60,000	2	0	0	0	2	0	94,524	0
£60,001 and £80,000	1	1	0	1	1	2	73,588	129,434
£80,001 and £100,000	1	0	0	0	1	0	85,587	0
£100,001 and £150,000	0	0	0	1	0	1	0	112,400
					18	8		

### 31. 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. (The appointed external auditors were Grant Thornton in 2015/16 and KPMG during 2016/17)

	2017/18 £'000	2016/17 £'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year	40	40
Fees payable to external auditor for the certification of grant claims and returns	8	7
Fees payable in respect of other services provided by the external auditor	0	0
<b>Total</b>	<b>48</b>	<b>47</b>

### 32. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

	2017/18 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income and Expenditure</b>		
Revenue Support Grant	395	735
New Homes Bonus Scheme Grant	1,438	1,983
S31 Business Rate Grant	902	443
Rural Services Grant	245	0
Other grants and contributions	15	0
<b>Total</b>	<b>2,995</b>	<b>3,161</b>
<b>Credited to Services</b>		
Housing Benefits Subsidy	15,515	16,621
Grant for Elections / Referendums	244	183
Housing Benefit / LCTS Administration Grants	230	251
NNDR Administration Grant	92	92
Blandford Leisure Centre Contributions	88	88
Flexible Homelessness Support Grant	75	0
Other Revenues and Benefits Grant Funding	71	37
Discretionary Housing Payments	55	38
Council Tax Discount for Family Annexes	40	36
Preventing Homelessness Grant	27	0
Transparency Code Set Up Grant	8	8
Real Time Information New Burdens Funding	0	5
Community Housing Fund Grant	0	303
Rural Services Grant	0	238
<b>Total</b>	<b>16,445</b>	<b>17,900</b>
Capital Grants Credited to Services	<b>0</b>	<b>0</b>

### 33. 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

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides 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 (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 9 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2018 are shown in Debtors Note 19.

#### Members

Members of the Council have direct control over the council's financial and operating policies. The total of Member's allowances paid in 2017/18 is shown in Note 29. The Monitoring Officer keeps a register of Members' interests which is available for public inspection. No Council Member had an interest in any contract let by the Council during the year.

#### 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 is 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 share on a proportionate basis.

#### PSP North LLP

On 1st February 2017 the Council 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.

#### 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 2017/18 the Council paid £100,625 to SWAP (£100,625 in 2016/17). 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.

#### Stour Valley and Poole Partnership

Included in the Council's Income and Expenditure Account are the Council's share of costs relating to the Stour Valley and Poole Revenues and Benefits Partnership. This partnership formed on 1 January 2015 and administers Council Tax and business rates collection and the award of housing and Council Tax benefit for East Dorset District Council, North Dorset District Council, Christchurch Borough Council and Poole Borough Council. Poole Borough Council host the service, employing all the staff and charge the other partners their share of costs. Prior to this the Stour Valley Partnership provided these services for East Dorset, North Dorset and Christchurch and was hosted by East Dorset. Costs of the Stour Valley and Poole Partnership are split 49% to Poole and 51% to the original Stour Valley Partnership members, who further share this element of the cost on the 36:32:32 basis. During the year £895k was paid to the Stour Valley and Poole Revenues and Benefits Partnership for its core services and additional enforcement service. (£886k in 2016/17). In addition the partnership provides a front of house service at the Nordon site in Blandford (£42k).

## NOTES TO THE ACCOUNTS

### 34. 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	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	0	0
<b>Capital Investment</b>		
Property, Plant, Infrastructure & Equipment	0	19
Revenue Expenditure Funded from Capital under Statute	267	432
<b>Sources of Finance</b>		
Capital Receipts	(267)	(451)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

### 35. LEASES

#### Council as Lessee

##### The Council as a Lessee – Finance Leases

The Council currently has no finance leases that require separate disclosure within its Statement of Accounts.

##### Operating Leases

The Council uses a range of leased vehicles in carrying out the various services it undertakes that are financed under terms of operating leases: the amount charged to revenue in 2017/18 under these arrangements was £1,913 (£12,030 in 2016/17).

The Council owned land on which a third party had built industrial units. The Council retained ownership of the land and the third party owned the building. As part of the lease agreement in respect of this land, the Council collected rents from the tenants and passes them over to the third party. During 2017/18 the amount paid over amounted to £38,065. This property was sold during 2017/18.

Therefore there are no future minimum lease payments due in future years.

	<b>Investment Property</b>		<b>Other Assets</b>	
	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	0	50	0	6
Later than one year and not later than five years	0	199	0	9
Later than five years	0	4,279	0	0
	<b>0</b>	<b>4,528</b>	<b>0</b>	<b>15</b>



## NOTES TO THE ACCOUNTS

### Council as Lessor

#### Operating Leases

The Council leases out Investment Property under operating leases in order to generate rental income.

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

	<b>Investment Property</b>		<b>Other Assets</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	96	168	0	0
Later than one year and not later than five years	435	435	0	0
Later than five years	6,357	6,453	0	0
	<b>6,888</b>	<b>7,056</b>	<b>0</b>	<b>0</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### 36. DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Under the shared services partnership employees are employed by Weymouth and Portland Borough Council. This disclosure note refers to the Councils 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.

## NOTES TO THE ACCOUNTS

### 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:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current Service cost	1,250	748
Administration Expenses	27	26
Past Service costs	96	75
(gain)/loss from settlements	0	193
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	553	737
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	<b>1,926</b>	<b>1,779</b>
<i>Other Post Employment Benefit charged or (credited) to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	967	5,834
Actuarial gains and losses arising on changes in demographic assumptions	0	(623)
Actuarial gains and losses arising on change in financial assumptions	2,283	(11,309)
Experience loss / gain on defined benefit obligation	0	7,512
Other	0	(706)
Total Remeasurement of the net defined benefit liability shown in Other Comprehensive Income and Expenditure	<b>3,250</b>	<b>708</b>
<i>Total post-employment benefits charged to the Comprehensive Income and expenditure Statement</i>	<b>5,176</b>	<b>2,487</b>
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	(1,926)	(1,779)
<i>Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme</i>	721	613
<i>Total post-employment benefits reversed in the Movement in Reserves Statement</i>	<b>(1,205)</b>	<b>(1,166)</b>

As part of the shared services partnership between the Council and Weymouth and Portland Borough Council, the Weymouth and Portland Borough Council is the employer for all staff.

## NOTES TO THE ACCOUNTS

### 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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Present Value of the funded defined benefit obligation	(59,076)	(59,629)
Fair Value of Plan Assets	40,316	38,877
<b>Net Liability</b>	<b>(18,760)</b>	<b>(20,752)</b>
Present Value of the unfunded obligation	(822)	(876)
Amortisation of payment in advance		0
<b>Net Liability in Balance Sheet arising from defined benefit obligation</b>	<b>(19,582)</b>	<b>(21,628)</b>

### Reconciliation of the Movement in the Fair Value of Scheme Assets

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of scheme assets</b>	38,877	33,058
Interest income	990	1,155
Remeasurement gain/loss		
Return on plan assets, excluding the amount included in the net interest expense	967	5,834
Other actuarial gains and losses	0	(706)
Contributions from employers	721	613
Contributions from employees into the scheme	210	207
Administration Expenses	(27)	(27)
Estimated benefits paid plus unfunded net of transfers in	(1,422)	(1,551)
Settlement prices received / (paid)	0	294
<b>Closing balance at 31 March</b>	<b>40,316</b>	<b>38,877</b>

## NOTES TO THE ACCOUNTS

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

	2017/18	2016/17
	£'000	£'000
<b>Opening Balance 1st April</b>	60,505	54,227
Current Service Costs	1,250	748
Interest cost	1,543	1,892
Contributions from scheme participants	210	207
Remeasurement (gains) and losses		
Actuarial gains/losses arising from changes in demographic assumptions	0	623
Actuarial gains/losses arising from changes in financial assumptions	(2,284)	11,309
Experience loss/(gain) on defined benefits obligations	0	(7,512)
Liabilities assumed / (extinguished) on settlements	0	487
Estimated benefits paid net of transfers in	(1,363)	(1,492)
Past Service Costs (including curtailments)	96	75
Unfunded pension payments	(59)	(59)
<b>Closing balance at 31 March</b>	<b>59,898</b>	<b>60,505</b>

### 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 £'000	31 March 2018 %	31 March 2017 £'000	31 March 2017 %
Equity Investments	21,793	54.0	21,810	56.0
Gilts	5,278	13.0	5,772	15.0
Cash	566	1.0	431	1.0
Other Bonds	2,826	7.0	4,455	12.0
Diversified Growth Fund	2,437	6.0	1,686	4.0
Property	4,064	10.0	3,418	9.0
Infrastructure	1,455	4.0	1,299	3.0
Mult Asset Credit	1,897	5.0	0	0.0
Hedge Fund	0	0.0	6	0.0
	<b>40,316</b>	<b>100.0</b>	<b>38,877</b>	<b>100.0</b>

## NOTES TO THE ACCOUNTS

### 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.

The significant assumptions used by the actuary have been:

	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	24.0	23.9
Women	26.1	26.0
Longevity at 65 for future pensioners:		
Men	26.0	26.1
Women	28.4	28.3
Rate of inflation - RPI increases	3.4%	3.6%
Rate of inflation - CPI increases	2.4%	2.7%
Rate of increase in salaries	3.9%	4.2%
Rate of increase in pensions	2.4%	2.7%
Rate for discounting scheme liabilities	2.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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 in the defined Benefit Obligation in the scheme

	Increase in Assumption by 0.1%	No Change	Decrease in Assumption by 0.1%
	£000	£000	£000
Adjustment to discount Rate	0.10%	0.00%	-0.10%
Present Value of Obligation	65,622	59,898	67,967
Projected Service Cost	1,151	1,179	1,208
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Obligation	66,878	59,898	66,690
Projected Service Cost	1,179	1,179	1,179
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Obligation	67,874	59,898	65,713
Projected Service Cost	1,208	1,179	1,151
Adjustment to mortality age rating assumption	+ 1 Year	None	- 1 Year
Present Value of Obligation	69,349	59,898	64,316
Projected Service Cost	1,217	1,179	1,143

## NOTES TO THE ACCOUNTS

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant 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.

The Authority anticipates to pay £624,000 expected contributions to the scheme in 2018/19.

### 37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities

As part of the adoption of 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 the Annual Investment Strategy in compliance with Communities and Local Government guidance on Local Government Investments. The guidance gives priority to security and liquidity rather than yield. The Council's Strategy and Practices are based on seeking the highest return consistent with the proper level of security and liquidity.

The Council's activities expose it to a variety of financial risks:

*Credit Risk:* The possibility that other parties might fail to pay amounts due to the Authority.

*Liquidity Risk:* The possibility that the Authority might not have funds available to meet its commitments to make payments.

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

*Re-financing risk:* The possibility that the Council may not be able to raise new loans to fund repayment of existing loans or that the new loans may be too expensive.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Accountant and Financial Services Manager, under policies approved by the Council in the Annual Treasury Management Strategy Statement and Treasury Management Practices and Principles. These provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

## NOTES TO THE ACCOUNTS

### Credit Risk

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

This risk is minimised through the Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of A1. The TMSS also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of Financial Assets held by the Council for 2017/18 are as detailed below:

Financial Asset category	Criteria	Maximum investment per counterparty
Deposits with Banks and Building Societies	Credit rating of A- (or equivalent) Advice from Treasury advisors	£1m
Business Reserve Accounts	Credit rating of A- (or equivalent) Advice from Treasury advisors	£1m
Gilts & Deposits with the DMO	Government institution Advice from Treasury advisors	Unlimited
Deposits with other Local Authorities	Government backed institution Advice from Treasury advisors	£1m
Certificates of Deposit with Banks and Building Societies	Credit rating of A- (or equivalent) Advice from Treasury advisors	£1m
Supranational Bonds	Multi-national backed institution Advice from Treasury advisors	£1m
Deposits with Money Market Funds and Collective Investment Schemes	AAA rated Advice from Treasury advisors	£1m
Bonds and Debt Instruments issued by Corporate Bodies	Advice from Treasury advisors	£1m
Collective Investment Schemes (Pooled Funds)	Advice from Treasury advisors	£1m

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal divisional ratings.

The Council's maximum exposure to credit risk in relation to its investments in Banks and Building Societies of £3,001,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience on default and uncollectability over the last 5 financial years.

	Amount at 31 March 2018	Historical experience of default	Estimated maximum exposure to default and uncollectability at 31 March 2018	Amount at 31 March 2017
	£'000	%	£'000	£'000
Money Market Funds	2,858	0%	0	0
DMO Deposits	500	0%	0	0
Banks and Building Societies	1,859	0%	0	0
Unit Funds	8,439	0%	0	0
Bonds	1,966	0%	0	0
Property Funds	2,906	0%	0	0
Customers	214	5%	11	7
			<b>11</b>	<b>7</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to Deposits, Bonds, Unit and Property Funds.

## NOTES TO THE ACCOUNTS

The table below shows length of outstanding trade receivables (debtors) for sundry debts. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
30 to 60 Days	16	-
60 to 90 Days	2	4
More than 90 Days	196	131
	<b><u>214</u></b>	<b><u>135</u></b>

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board and Money Markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This risk is minimal at this Council as its cash and liquid investments are more than sufficient to repay the current borrowings.

### Market risk

#### 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall.
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The key strategy is that the Council's operational budget is not reliant on investment income, but includes a full estimation of the amount of interest payable on borrowings. As all current interest-bearing investments and borrowings have fixed rates of interest, cashflows can be predicted accurately and no sensitivity analysis is required. Interest rate forecasts are provided by the Council's treasury advisor, and the decision of whether to invest or disinvest is taken in consultation with that advisor.

Treasury Policy sets out that the Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with "TMP6 Reporting requirements and management information arrangements".



## NOTES TO THE ACCOUNTS

### **Price Risk**

The Council's Bonds, Unit Fund and Property Fund holdings are all quoted on the open market, so the Council is exposed to losses arising from movements in the price of the investments.

The Council limits its exposure to price movements by diversifying its portfolio, and by limiting the percentage of the portfolio which can be held in each type of asset class. More detail about these limits is contained in the Treasury Management Strategy Statement.

All of the Bonds, Unit Fund and Property Fund holdings are classified as 'Available-for-Sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of these assets (positive or negative) would thus have resulted in a gain or loss of £xxxxx being recognised in Other Comprehensive Income and Expenditure for 2017/18.

### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

### **38. PRIOR PERIOD ADJUSTMENT**

There have been no prior period adjustments

## 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			2016/17		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>INCOME</b>						
Council Tax	48,430	0	<b>48,430</b>	45,897	0	<b>45,897</b>
Non-Domestic Rates	0	12,804	<b>12,804</b>	0	13,951	<b>13,951</b>
Discretionary Reliefs Income	0	0	<b>0</b>	0	0	<b>0</b>
<b>TOTAL INCOME</b>	<b>48,430</b>	<b>12,804</b>	<b>61,234</b>	<b>45,897</b>	<b>13,951</b>	<b>59,848</b>
<b>PRECEPTS / NDR DISTRIBUTION</b>						
Central Government	0	6,124	<b>6,124</b>	0	6,476	<b>6,476</b>
Dorset County Council	34,379	1,102	<b>35,481</b>	32,464	1,166	<b>33,630</b>
Dorset Police Authority	5,042	0	<b>5,042</b>	4,901	0	<b>4,901</b>
Dorset Fire Authority	1,829	122	<b>1,951</b>	1,778	130	<b>1,908</b>
North Dorset District Council	3,160	4,899	<b>8,059</b>	3,004	5,181	<b>8,185</b>
All Parishes	2,744	0	<b>2,744</b>	2,523	0	<b>2,523</b>
<b>PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED</b>						
Central Government	0	(218)	<b>(218)</b>	0	(306)	<b>(306)</b>
Dorset County Council	367	(39)	<b>328</b>	(218)	(55)	<b>(273)</b>
Dorset Police Authority	55	0	<b>55</b>	(33)	0	<b>(33)</b>
Dorset Fire Authority	20	(4)	<b>16</b>	(12)	(6)	<b>(18)</b>
North Dorset District Council	34	(174)	<b>(140)</b>	(20)	(245)	<b>(265)</b>
<b>ALLOWANCES TO CHARGING AUTHORITY</b>						
Non-Domestic Rate Cost Of Collector	0	92	<b>92</b>	0	92	<b>92</b>
Transitional Protection Payments	0	(153)	<b>(153)</b>	0	33	<b>33</b>
Interest Payments	0	0	<b>0</b>	0	0	<b>0</b>
Renewable Energy Scheme	0	168	<b>168</b>	0	181	<b>181</b>
<b>PROVISION FOR APPEALS</b>						
Increase/(Decrease) To Provision	0	1,200	<b>1,200</b>	0	945	<b>945</b>
<b>PROVISION FOR BAD DEBTS</b>						
Increase/(Decrease) To Provision	(157)	(95)	<b>(252)</b>	357	294	<b>651</b>
<b>TOTAL DEDUCTIONS</b>	<b>47,473</b>	<b>13,024</b>	<b>60,497</b>	<b>44,744</b>	<b>13,886</b>	<b>58,630</b>
Surplus / (Deficit) Arising In Year	957	(220)	<b>737</b>	1,153	65	<b>1,218</b>
Balance B/F 1st April	962	(997)	<b>(35)</b>	(191)	(1,062)	<b>(1,253)</b>
Balance C/F 31st March	<b>1,919</b>	<b>(1,217)</b>	<b>702</b>	<b>962</b>	<b>(997)</b>	<b>(35)</b>

## NOTES TO THE COLLECTION FUND

### 1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2017/18 ie 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)	2.8	5/9	1.5
A	2,194.4	6/9	1,462.9
B	5,193.3	7/9	4,039.2
C	7,267.0	8/9	6,459.6
D	5,514.9	9/9	5,514.9
E	4,037.5	11/9	4,934.7
F	2,460.6	13/9	3,554.2
G	1,375.5	15/9	2,292.5
H	123.8	18/9	247.5
	<b>28,169.6</b>		<b>28,507.0</b>
<b>Class O exempt dwellings</b>			396.80
<b>Council Tax Base for Revenue Support Grant Purposes</b>			<b>28,903.80</b>
<b>Reduction due to the Council Tax Reduction Scheme</b>			<b>(2,992.90)</b>
<b>Council Tax Base for Council Tax Setting Purposes</b>			<b>25,910.90</b>

### 2. INCOME FROM BUSINESS RATEPAYERS

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

	2017/18	2016/17
Rateable value at year-end		£42,348,700
National Multiplier	47.9p	49.7p
Small Business Multiplier	46.6p	48.4p

### 3. ALLOCATION OF COLLECTION FUND SURPLUS

	COUNCIL TAX £'000	NDR £'000	TOTAL £'000
Central Government	0	(608)	<b>(608)</b>
Dorset County Council	1,401	(110)	<b>1,291</b>
Dorset Police Authority	206	0	<b>206</b>
Dorset Fire Authority	73	(12)	<b>61</b>
North Dorset District Council	239	(487)	<b>(248)</b>
<b>Total Surplus As At 31st March 2018</b>	<b>1,919</b>	<b>(1,217)</b>	<b>702</b>

# ANNUAL GOVERNANCE STATEMENT

## Scope of Responsibility

North 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.

North 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](http://www.dorsetforyou.com) or can be obtained from the council offices. This statement explains how North 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 North 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 North Dorset District Council for the year ended 31st March 2018 and up to the date of approval of the Statement of Accounts.

The Constitution, Council structure, Organisational structure and other documents that comprise the governance framework are available on the Councils website, [www.dorsetforyou.com](http://www.dorsetforyou.com)

# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness

North 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  
Review of external audit report and Annual Audit Letter  
Review of performance management software to identify performance against corporate plan  
Corporate management team review of service governance issues

### 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 statutory officers (Head of Paid Service, Monitoring Officer and Director of Resources) 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 Annual Audit Letter.  
Review of complaints, if any, considered by Local Government Ombudsman

### f) Other Sources

Examination of the minutes of the Audit Committee  
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 & Performance Committee minutes holding Management Committee to account.

# ANNUAL GOVERNANCE STATEMENT

## Significant governance issues for 2017 - 18

### 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. Subject to legislation, the new councils will come into existence in April 2019.

One council will cover Bournemouth, Christchurch and Poole, with the other serving the rest of Dorset. The parliamentary process has begun to establish the new authorities and two separate, Joint Committees are leading the development of the new councils. Legal orders should be concluded in June 2018 and Shadow Authorities will then be formed. Each Shadow Authority will include the councillors from within the areas covered by the new authority and each will elect a Shadow Executive responsible for making decisions until the first, direct elections for the new councils take place in May 2019. A LGR programme team has been appointed to manage the LRG workstreams

OWNER: CHIEF EXECUTIVE

#### Comment

The timescale to ensure a smooth transition on 1st April 2019 is extremely tight.

### 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

\_\_\_\_\_  
Matt Prosser, Chief Executive

Signed

Date

\_\_\_\_\_  
Cllr G Carr-Jones, Leader

## 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.

### **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.

### **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.

## GLOSSARY OF TERMS

### **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.

### **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.



## GLOSSARY OF TERMS

### **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).

### **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.

## GLOSSARY OF TERMS

### **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.

### **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.

## GLOSSARY OF TERMS

### **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.

### **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

## GLOSSARY OF TERMS

### **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.

### **SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)**

This code of practice was introduced in support of the Government's modernisation agenda for local government, in particular the process of performance management and best value. The code modernises the system of local authority accounting and reporting, which provides a common service cost to facilitate 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.

### **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.