

**Weymouth and Portland
Borough Council**

Statement of Accounts

Year ended 31 March 2018

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

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NARRATIVE STATEMENT

Introduction

Weymouth and Portland Borough Council's financial performance for the year ended 31 March 2018 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

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

The Statement of Accounts explain Weymouth and Portland Borough Council's finances during the financial year 2017/18 and its financial position at the end of the 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 Weymouth & Portland Borough 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. Weymouth and Portland Borough Council does not have material interests in such bodies .

The Statement of Accounts

The Council's Accounts for the financial year 1 April 2017 to 31 March 2018 are set out on the following pages and consist of;

- (a) Movement in Reserves Statement** - showing the movement in the year on the different reserves held by the authority.
- (b) Comprehensive Income & Expenditure Statement** - showing the net cost of operational services provided by the Council, and how those services are financed.
- (c) Balance Sheet** - showing the financial position of the Council on 31 March 2018 compared to previous years, showing all assets and liabilities of the Council.
- (d) Cashflow Statement** - detailing the revenue and capital inflows and outflows of cash within the Council's accounts.
- (e) Collection Fund** - which identifies all transactions relating to the collection of Council Tax and Business Rates, including sums paid to precepting councils and passed to the Government for redistribution nationally.

NARRATIVE STATEMENT

Key Facts and Challenges

Weymouth and Portland was the host borough of the London 2012 Olympic and Paralympic sailing events and is a popular seaside resort. At 16 square miles Weymouth and Portland is a densely populated borough with a total population of around 65,000. The population is becoming increasingly elderly as residents live longer and because many people who come to live in the area are close to retirement age. Younger people are moving out of the area because of the affordability gap between house prices and wages with over 57% of young working households unable to afford a property at the lower end of the market. The borough falls within the most deprived third of district/boroughs in England and four of the areas fall within the most deprived 10% in England, suffering from low levels of income, child poverty and health needs. Earnings are lower than average and unemployment rates have remained at around the national average. 46% of Weymouth and Portland employees are working in knowledge-driven industries and 82% of local firms employ fewer than 10 people. 14% of employees are working in the tourism industry. There is an over reliance on the public sector jobs which are very susceptible to further cuts. Weymouth and Portland has just under 31,000 dwellings and of these 67% are owned or part owned. The number of households that live in privately rented accommodation is higher than the Dorset average. More affordable homes are needed and this will help with the retention and recruitment of a skilled workforce. The quality of the natural and built environment is a major asset and a key element of the areas identity and prosperity. Over 800 hectares of land in the borough are designated as Sites of Special Scientific Interest and there are also over 800 listed buildings. The coastline is protected as part of the Dorset and Devon World Heritage Site. The Council needs to make significant cuts to its budget at a time of increasing demand for some services

The Council's Priorities

Building a Stronger Local Economy

Helping to stimulate economic growth so that the borough offers better jobs and prospects for local people

Increasing the number of new homes built within the borough

Empowering Thriving and Inclusive Communities

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

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

Improving Quality of Life

Enhancing the quality of life of people living and working in the borough

Safeguarding and providing opportunities to enjoy the natural and built environment now and in the future

Developing Successful Partnerships

Creating 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 £54,229,283. After allowing for budgeted income of £46,001,788 the net budget requirement was set at £8,227,495.

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

As a result the actual net spend for the year is £7,515,473 a favourable variance of £712,022 or 8.65% of the net budget requirement.

Revenue Transactions

The revenue outturn and movement in general fund balance for the year compared to the current budget are set out below. A full analysis of the variances are set out in a report to the Management Committee on 5 June 2018. The main variance in Financial Services being shared services savings delivered ahead of schedule.

	Current Budget £'000	Net Expenditure £'000	Variance £'000
Financial Services	3,782	1,935	(1,847)
Revenues and Benefits	75	97	22
Business Improvement	1,459	1,414	(45)
Community Protection	3,015	2,888	(127)
Housing	563	632	69
Planning Development Management & Building Control	131	251	120
Community & Policy Development	446	429	(17)
Economy, Leisure and Tourism	317	323	6
Assets and Infrastructure	276	59	(217)
Democratic Services and Elections	553	523	(30)
Human Resources and Organisational Development	262	247	(15)
Legal Services	220	249	29
Net Cost of Services	11,099	9,047	(2,052)
Other Operating Expenditure	(654)	(654)	0
Financing and Investment Income and Expenditure	1,352	1,352	0
Taxation and Non-Specific Grant Income	(9,472)	(9,566)	(94)
Surplus on the Provision of Services	2,325	179	(2,146)
Adjustments between accounting and regulatory bases (see below)	(2,325)	(2,325)	0
Net Decrease in General Fund Balance before Transfers to Earmarked Reserves	0	(2,146)	(2,146)
Transfers to/(from) Earmarked Reserves		3,300	3,300
(Increase) in General Fund Balance for the Year	0	1,154	1,154
General Fund			
Balance Brought forward 1st April 2017		(4,547)	
deficit for the year		1,154	
Balance carried forward 31st March 2018		(3,393)	

NARRATIVE STATEMENT

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

	2016/17	2017/18
General Fund	4,547	3,393
Earmarked Reserves	8,857	12,157
Total General Fund Reserves	13,404	15,550

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 Revised 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 £54,229,283. The Council has been working on a medium term approach of 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 £941,971 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 £712,022. 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.

The Council has a policy of maintaining the General Fund balance between a risk based minimum and maximum agreed levels. The minimum level is £1.04m and maximum is £2.23m. The actual balance at 31 March 2018 is £3,393,557 of which £2,212,944 is committed; this leaves an uncommitted balance of £1,180,613 which is within the risk based parameters.

Capital Expenditure

Capital expenditure for the year was £259,534. Of this amount £137,587 was spent on new or existing assets while £121,947 was spent on grants. This grant expenditure is known as revenue funded from capital under statute (REFCUS). A full analysis of the variations are set out in a report to the Management Committee on 5 June 2018.

Scheme	Original Budget £	Current Budget £	Actual Expenditure £
Private Sector Housing Grants	106,676	106,676	106,676
Weymouth Harbour Walls	1,921,580	30,000	15,349
Chesil Sea Wall	0	14,675	0
Chesil Sea Wall Study	99,771	49,000	15,270
Portland North Shore Study	6,300	2,000	0
11 High Street, Fortuneswell, Portland	250,000	250,000	122,239
Weymouth Office Accommodation	111,851	111,851	0
TOTAL	2,496,178	564,202	259,534

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:

	Financing £'000
Government and other capital grants	15
Borrowing	0
Capital Receipts	112
Reserves/Revenue funding of capital expenditure	133
	260

No new borrowing was taken during the year. As at 31st March the operational boundary for borrowing was £32,000,000 and the actual borrowing was £27,000,000. This leaves a current borrowing headroom of £5,000,000.

Capital Receipts

The Council received £589,400 from the sale of assets, namely Portland Council Offices and 47A The Esplanade, Weymouth and £54,998 from the repayment of grants and loans. In addition the Council received £352,778 under an agreement with Aster Housing Association (formerly Synergy) in respect of preserved Right To Buy former Council Houses. These sums are added to the Useable Capital Receipts Reserve to fund future capital expenditure.

Material and Unusual Transactions

In 2015/16 the Council agreed the sale of its former offices at North Quay, Weymouth. Contracts were exchanged but the sale was never completed. Following litigation the Council settled a claim from the prospective purchaser in the sum of £167,500, plus the return of their deposit. In the 2016/17 balance sheet the asset was shown as an Asset Held for Sale with a value of £4,150,000. As the asset is not currently being marketed and whilst the Council decides how to proceed, management has decided to reclassify the asset to Surplus Asset. The Council's valuer, GVA Ltd, have valued the asset for capital accounting purposes at £3,100,000.

Borrowings

The Council's market debt of £27,000,000 has a maturity date in excess of 50 years.

NARRATIVE STATEMENT

Changes to Accounting Policies

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

For 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.

Changes to the Local Government Accounting Code

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.

Changes to Statutory Functions

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

Compliance with the Code

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

Collection Fund

The average Band B Council Tax in 2016/17 was £1,468, representing an increase of 4.11% over 2016/17. Actual amounts billed total £38.799m of which 96.3% was collected in-year (compared to 96.6% in 2016/17), and after adjustments to the bad debt provision a surplus of £0.479m was generated. This was added to the surplus in the Council Tax Adjustment Account. The Council also collects Business Rates on behalf of Central Government, Dorset County Council and the Dorset Fire Authority. Actual rates billed total £17.018m during the year, of which 96.48% was collected in year (compared to 97.3% in 2016/17). After adjustments to the bad debt and appeal provisions a deficit of £0.726m was incurred. This was offset against the Non-Domestic Rates Adjustment Account to be recovered over the next 2 years.

NARRATIVE STATEMENT

The Balance Sheet shows a net deficit on the pensions reserve of £45.27m as at 31 March 2018, compared to £50.989m at 31 March 2017. It is planned that the deficit, calculated by the Actuary, will be eliminated over the term of 20 to 25 years. The amount to be paid into the fund over the following three years is calculated by the Actuary in a triennial valuation. £451,000 was charged to the general fund in 2017/18. Current service costs will be shared as part of the cost sharing agreement of the partnership. Further details of the pension scheme are shown in Note 36 to the accounts.

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	7.00	7.63
Percentage of creditors paid by BACS	99.64	95.00	99.94
Percentage of non-disputed invoices paid within 30 calendar days	97.00	95.00	93.62
Percentage of Council Tax collected	96.30	96.00	96.57
Percentage of Business Rates collected	96.48	97.00	97.26
Average calendar days to process new housing benefit claims	19.73	19.00	21.62
Average days to process housing benefit changes of circumstances	5.30	7.00	6.29
Percentage of "major" planning applications determined within 13 weeks or agreed extension of time	85.71	60.00	67.00
Percentage of "non major" planning applications determined within 8 weeks or agreed extension of time	75.56	70.00	-
Percentage of "minor" planning applications determined within 8 weeks	-	-	81.00

A full list of Non Financial Performance information can be found within the Business Review Outturn Report that was presented to Management Committee 5 June 2018 and on dorsetforyou.com

Current Economic Climate

The Authority's robust approach to budgeting and tight budget monitoring through the business review process, has enabled it to show a surplus of £712,000 on the General Fund and transfer a further £3,300,000 to Earmarked Reserves. The Council has total Earmarked Reserves of £12,157,000 in addition to the General Fund balance of £3,393,000, making a total of £15,550,000.

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.

NARRATIVE STATEMENT

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 authorised for issue by the Strategic Director on 29 May 2018.

Further Information

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

The accounts have been audited by KPMG LLP, 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 is also required to have;

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

CERTIFICATION OF THE STATEMENT OF ACCOUNTS 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 and Chief Finance Officer (S151 Officer)
Date: 29 May 2018

J. C. Vaughan

RE-CERTIFICATION PRIOR TO APPROVAL AT ACCOUNTS & AUDIT COMMITTEE

Jason Vaughan, FCCA, CPFA, IRRV (Hons)
Strategic Director and Chief Finance Officer (S151 Officer)
Date: 30 July 2018

J. C. Vaughan

Certification by the Chairman of the Audit Committee

I confirm that these Accounts were approved by the Audit Committee on 30 July 2018

Signed on Behalf of Weymouth & Portland Borough Council:
Chair of the meeting approving the accounts: Cllr. L. Hamilton
Date: 30 July 2018

L. Hamilton

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Weymouth and Portland Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 10, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Weymouth and Portland Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Weymouth and Portland Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Weymouth and Portland Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Independent Auditor's report to the Members of Weymouth and Portland Council

Statutory reporting matters

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

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

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

CERTIFICATE OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2017/18. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Ian Pennington

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX

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.

2016/17			2017/18			
Net Expenditure Chargeable to GF	Adjustment between Funding and Accounting Basis	Net Expenditure in C I E S		Net Expenditure Chargeable to GF	Adjustment between Funding and Accounting Basis	Net Expenditure in C I E S
754	21	733	Financial Services	1,858	(77)	1,935
365	299	66	Revenues and Benefits	(14)	(111)	97
1,446	41	1,405	Business Improvement	1,324	(90)	1,414
2,240	(573)	2,813	Community Protection	2,516	(372)	2,888
757	97	660	Housing Services	606	(26)	632
284	118	166	Planning Development Management & Building Control	191	(60)	251
330	62	268	Community & Policy Development	393	(36)	429
238	(97)	335	Economy, Leisure and Tourism	87	(236)	323
(632)	(1,329)	697	Assets and Infrastructure	(604)	(663)	59
531	15	516	Democratic Services and Elections	505	(18)	523
251	7	244	Human Resources and Organisational Development	225	(22)	247
161	4	157	Legal Services	222	(27)	249
6,725	(1,335)	8,060	Net Cost of Services	7,309	(1,738)	9,047
(9,087)	(2,763)	(6,324)	Other income and Expenditure	(9,455)	(587)	(8,868)
(2,362)	(4,098)	1,736	Surplus or deficit	(2,146)	(2,325)	179
(11,042)			Opening Balance General Fund 1st April	(13,404)		
(2,362)			(Surplus)/Deficit for the year	(2,146)		
(13,404)			Closing Balance General Fund 31st March	(15,550)		

The accompanying notes form part of these financial statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. This statement follows the organisational structure of the authority.

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,419	(1,686)	733	Financial Services	2,130	(195)	1,935
30,088	(30,022)	66	Revenues and Benefits	28,492	(28,395)	97
1,550	(145)	1,405	Business Improvement	1,528	(114)	1,414
4,765	(1,952)	2,813	Community Protection	5,277	(2,389)	2,888
1,164	(504)	660	Housing	1,602	(970)	632
529	(363)	166	Planning Development Management & Building Control	697	(446)	251
309	(41)	268	Community & Policy Development	488	(59)	429
2,567	(2,232)	335	Economy, Leisure and Tourism	1,931	(1,608)	323
5,372	(4,675)	697	Assets and Infrastructure	4,734	(4,675)	59
742	(226)	516	Democratic Services and Elections	769	(246)	523
245	(1)	244	Human Resources and Organisational Development	247	0	247
295	(138)	157	Legal Services	377	(128)	249
50,045	(41,985)	8,060	Cost of Services	48,272	(39,225)	9,047
164	(655)	(491)	Other Operating Expenditure (Note 12)	343	(997)	(654)
5,296	(993)	4,303	Financing and Investment Income and Expenditure (Note 13)	2,512	(1,160)	1,352
5,074	(15,210)	(10,136)	Taxation and Non-Specific Grant Income (Note 14)	4,772	(14,338)	(9,566)
60,579	(58,843)	1,736	(Surplus) or Deficit on the Provision of Services	55,899	(55,720)	179
			(4,198) (Surplus)/Deficit on Revaluation of Non-Current Assets			(482)
			(1,180) (Surplus)/Deficit on Revaluation of Available-for-Sale Financial Assets			706
			930 Remeasurement of the net defined benefit liability			(7,781)
			(4,448) Other Comprehensive (Income) and Expenditure			(7,557)
			(2,712) Total Comprehensive (Income) and Expenditure			(7,378)

The accompanying notes form part of these financial statements

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase or (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2016	11,042	1,732	0	12,774	(13,428)	(654)
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure during 2016/17	(1,736)	0	0	(1,736)	4,448	2,712
Adjustments between accounting basis and funding basis under regulations (Note 10)	4,098	585	0	4,683	(4,683)	0
Increase/(Decrease) in 2016/17	2,362	585	0	2,947	(235)	2,712
Balance as at 31 March 2017 carried forward	13,404	2,317	0	15,721	(13,663)	2,058
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure 2017/18	(179)	0	0	(179)	7,557	7,378
Adjustments between accounting basis and funding basis under regulations (Note 10)	2,325	885	0	3,210	(3,210)	0
Increase/(Decrease) in 2017/18	2,146	885	0	3,031	4,347	7,378
Balance as at 31 March 2018 carried forward	15,550	3,202	0	18,752	(9,316)	9,436

The accompanying notes form part of these financial statements

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net liabilities 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".

31 March 2017			Notes	31 March 2018
£'000				£'000
		Property, Plant & Equipment	15	
39,175		Other Land and Buildings		39,260
102		Vehicles, Plant, Furniture and Equipment		83
2,172		Infrastructure		2,166
526		Community Assets		488
0		Surplus Assets	41	3,100
582		Heritage Assets	17	582
<u>42,557</u>				<u>45,679</u>
12,192		Long-term Investments	18	12,320
279		Long-term Debtors	18	207
<u>55,028</u>		Long-term Assets		<u>58,206</u>
16,066		Short-term Investments	18	27,142
4,897		Assets held for sale	22	1,150
4,357		Short-term Debtors	19	4,145
12,460		Cash and Cash Equivalents	20	5,861
<u>37,780</u>		Current Assets		<u>38,298</u>
(454)		Short-term Borrowing	39	(459)
(9,187)		Short-term Creditors	22	(10,492)
(2,150)		Provisions	23	(2,882)
<u>(11,791)</u>		Current Liabilities		<u>(13,833)</u>
(27,901)		Long-term Borrowing	18	(27,896)
(50,989)		Pensions Liability	36	(45,270)
(69)		Other Long-term Liability		(69)
<u>(78,959)</u>		Long-term Liabilities		<u>(73,235)</u>
<u>2,058</u>		Net Assets/(Liabilities)		<u>9,436</u>
		Usable Reserves	24	
	4547	General Fund		3,393
13,404	8857	Earmarked Reserves	11	12,157
2,317		Capital Receipts Reserve		3,202
<u>15,721</u>				<u>18,752</u>
		Unusable Reserves	25	
28,534		Revaluation Reserve		28,327
2,016		Available-for-Sale Financial Instruments Reserve		1,310
(50,989)		Pensions Reserve		(45,270)
10,986		Capital Adjustment Account		10,645
(4,421)		Financial Instruments Adjustment Account		(4,311)
315		Collection Fund Adjustment Account		92
(104)		Accumulated Absences Account		(109)
<u>(13,663)</u>				<u>(9,316)</u>
<u>2,058</u>		Total Reserves/(Deficit)		<u>9,436</u>

The accompanying notes form part of these financial statements

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.

2016/17		2017/18
£'000		£'000
(1,736)	Net Surplus or (Deficit) on the Provision of Services	(179)
9,254	Adjustments to Net Surplus or Deficit on Provision of Services for non-cash movements (Note 26)	4,910
325	Adjustments for items included in Net Surplus or Deficit on Provision of Services that are investing and financing activities (Note 26)	1,988
7,843	Net Cash Flows from Operating Activities	6,719
(2,378)	Investing Activities (Note 27)	(14,053)
(1,432)	Financing Activities (Note 28)	735
4,033	Net Increase or (Decrease) in Cash	(6,599)
8,427	Cash and Cash Equivalents at the beginning of the reporting period	12,460
<u>12,460</u>	Cash and Cash Equivalents at the end of the reporting period (Note 20)	<u>5,861</u>

The accompanying notes form part of these financial statements

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 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.

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.

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.

NOTES TO THE ACCOUNTS

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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs 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 Pension 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 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

NOTES TO THE ACCOUNTS

- 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
 - *interest cost* - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - *expected return on assets* - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - *gains or losses on settlements and curtailments* - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - *actuarial gains and losses* - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited or credited to the Pensions Reserve
 - *contributions paid to the Dorset County Council pension fund* - cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense

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

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, and therefore held as a creditor. Such receipts are treated as third party contributions.

NOTES TO THE ACCOUNTS

xi. Intangible Assets

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

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

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Interests in Companies and Other Entities

The Council has an interest in Weymouth Port Health Authority and South West Audit Partnership (SWAP). The income and expenditure, and assets and liabilities, of the entities are not considered to be material to the Borough Council, therefore the decision has been made not to consolidate the results of this entity with the results of the Council for this financial year. This decision will be reviewed annually, with consolidation occurring in the event of the entities results becoming material to the Borough Council.

xiii. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

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

xiv. 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.

NOTES TO THE ACCOUNTS

xv. 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 Revenues and Benefits Partnership (which administers Council Tax, Business Rates and Housing Benefits) and the Shared Services Partnership with West Dorset District Council.

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

NOTES TO THE ACCOUNTS

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the 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.

xvii. Overheads and Support Services

The costs of overheads are recharged to services on a proportionate basis in proportion to the benefits received

xviii. 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.

NOTES TO THE ACCOUNTS

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.

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.

NOTES TO THE ACCOUNTS

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:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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.

Heritage Assets

The Council has several items which are significant to the history of the Borough of Weymouth and Portland. The main items are a pair of silver maces dated from the 17th Century, a silver mayor's chain, a gold mayoress' chain, and an oil painting by Fred Whitehead dated 1894. The items are included in the balance sheet at insurance valuation which is based on market value. The valuation has been carried out by Lawrence's of Crewkerne, fine art auctioneers and valuers.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment or significant increase in market value. Any gain or loss, or disposal is treated in the same way as other Council assets in accordance with normal accounting practice.

NOTES TO THE ACCOUNTS

xix. 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.

Contingent Liabilities

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

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

Contingent Assets

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

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

xx. 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.

xxi. 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.

xxii. 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.

NOTES TO THE ACCOUNTS

xxiii. Componentisation

The Code requires the Council to separate the recognition, depreciation and de-recognition of two or more major components of non-current assets, where the useful lives are estimated to be substantially different, in accordance with IAS 16. Under the Code, componentisation is prospective. Components with material separate useful lives will be identified at the next valuation and depreciation calculated separately when a component is enhanced or replaced. Componentisation will only be applied to significant components of material items of Property, Plant and Equipment. Assets are deemed to be material and considered for componentisation when the cost or value in the balance sheet is at least £500,000 (approximately 1% of total non current assets as at 31.3.17) and the component is at least 20% of the non-current asset.

xxiv. 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 set out in Note 1, 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.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate 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. It is estimated that the annual depreciation charge for buildings would increase by £32,100 for every year that useful lives had to be reduced.
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. 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.
Insurance Liabilities	The Council's former insurer, MMI, is in administration and may not have sufficient funds to settle all claims. The administrator has so far issued two levies on the Council totalling £219,604.	Due to child protection and asbestos claims there is a possibility more funds may be levied. For every increase of 1% of known liabilities the council will be obliged to pay £8,752.
Income	The Council relies heavily on fees and charges to balance its budget. Car parking, Weymouth Harbour and the beach and esplanade income is reliant on good weather during the summer.	A reduction in income of £56,776 is the equivalent of a £1 increase in Council Tax for a band D property. The Council has set various policies for maximising increases in income.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured and are set out in a sensitivity analysis in the IAS19 report from the Actuary. However, the assumptions interact in complex ways.

NOTES TO THE ACCOUNTS

Debtors	At 31 March 2018, the Council's outstanding balance for sundry debtors was £1,480,830. 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.
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5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

The Council received £352,778 (£334,172 in 2016/17) under the preserved right to buy scheme for former Council housing transferred to a Housing Association. These sums were added to the usable capital receipts reserve.

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.

Since the Balance Sheet date Parliament has approved the legislation for Local Government reorganisation in Dorset. Functions and Services will continue and transfer to the new organisation, Dorset Council.

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
Financial Services	0	(77)	0	(77)
Revenues and Benefits	0	(111)	0	-111
Business Improvement	0	(90)	0	-90
Community Protection	(208)	(164)	0	(372)
Housing	25	(51)	0	(26)
Planning Development Management & Building Control	0	(60)	0	(60)
Community & Policy Development	0	(36)	0	(36)
Economy, Leisure and Tourism	(185)	(51)	0	(236)
Assets and Infrastructure	(586)	(77)	0	(663)
Democratic Services and Elections	0	(18)	0	(18)
Human Resources and Organisational Development	0	(22)	0	(22)
Legal Services	0	(27)	0	(27)
	(954)	(784)	0	(1,738)
Other income and expenditure	807	(1,276)	(118)	(587)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	(147)	(2,060)	(118)	(2,325)

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
Financial Services	0	21	0	21
Revenues and Benefits	0	299	0	299
Business Improvement	0	41	0	41
Community Protection	(961)	388	0	(573)
Housing	0	97	0	97
Planning Development Management & Building Control	0	118	0	118
Community & Policy Development	0	62	0	62
Economy, Leisure and Tourism	(296)	199	0	(97)
Assets and Infrastructure	(1,397)	68	0	(1,329)
Democratic Services and Elections	0	15	0	15
Human Resources and Organisational Development	0	7	0	7
Legal Services	0	4	0	4
	(2,654)	1,319	0	(1,335)
Other income and expenditure	629	(3,227)	(165)	(2,763)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	(2,025)	(1,908)	(165)	(4,098)

(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 from Services 2016/17 £'000	Income from Services 2017/18 £'000
Car Parking	(3,129)	(3,113)
Weymouth Harbour	(939)	(1,166)
Licencing	(215)	(235)
Cemeteries and Crematorium	(1,165)	(1,113)
Leisure and Tourism	(196)	(217)
Planning Development Management & Building Control	(378)	(506)
Housing	(2,127)	(935)
Property Rents and Licences	(2,373)	(1,297)
Housing Benefits	(28,128)	(27,831)
Land Charges	(120)	(119)
Return on Investments	(1,020)	(1,250)
Sale of assets	(665)	(997)
Other Income	(1,530)	(446)
	<u>(41,985)</u>	<u>(39,225)</u>

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	8,879	9,348
Other services expenses	49,805	44,991
Support Services recharges	0	0
Depreciation, amortisation and impairment	1,045	978
Interest Payments	1,341	1,236
Precepts and levies	64	76
Gain on disposal of assets	(555)	(730)
Total Expenditure	<u>60,579</u>	<u>55,899</u>
Income		
Fees and Charges	(18,171)	(18,351)
Interest and Investment Income	(997)	(1,251)
Income from council tax and non- domestic rates	(7,832)	(8,287)
Government Grants and Contributions	(31,843)	(27,831)
Total Income	<u>(58,843)</u>	<u>(55,720)</u>
Surplus or deficit on the provision of services	<u>1,736</u>	<u>179</u>

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
2017/18		
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pensions costs (transferred to (or from) the Pensions Reserve)	2,060	
Financial Instruments transfer to Financial Instruments Adjustment Account	(109)	
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	222	
Holiday pay (transferred to the Accumulated Absences Reserve)	5	
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)	1,101	
Total Adjustments to Revenue Resources	3,279	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(997)	997
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	267	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(77)	
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(132)	
Total Adjustments between Revenue and Capital Resources	(939)	997
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital Expenditure		(112)
Application of capital grants to finance capital expenditure	(15)	
Total Adjustments to Capital Resources	(15)	(112)
TOTAL ADJUSTMENTS	2,325	885

NOTES TO THE ACCOUNTS

Usable Reserves

General Fund Balance £'000	Capital Receipts Reserve £'000
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Comparative 2016/17

Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

Pensions costs (transferred to (or from) the Pensions Reserve)	1,908	0
Financial Instruments (Financial Instruments Adjustment Account)	(108)	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	273	0
Holiday pay (transferred to the Accumulated Absences Reserve)	0	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)	2,828	0
Total Adjustments to Revenue Resources	4,901	0

Adjustments between Revenue and Capital Resources

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(655)	655
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(74)	0
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(54)	0
Total Adjustments between Revenue and Capital Resources	(783)	655

£'000	£'000
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Adjustments to Capital Resources

Use of the Capital Receipts Reserve to finance capital Expenditure	0	(70)
Application of capital grants to finance capital expenditure	(20)	0
Total Adjustments to Capital Resources	(20)	(70)
TOTAL ADJUSTMENTS	4,098	585

NOTES TO THE ACCOUNTS

11. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserves to meet General Fund expenditure in 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
Partnership Reserve	(413)	0	(47)	(460)	0	0	(460)
Superfast Broadband	(62)	54	0	(8)	0	0	(8)
Treasury Management	(463)	89	(588)	(962)	512	(652)	(1,102)
Legal	(158)	7	0	(151)	20	0	(131)
Revenues and Benefits Partnership	(38)	38	0	0	0	0	0
Property Maintenance	(246)	0	0	(246)	10	0	(236)
Housing	(307)	92	(50)	(265)	167	(323)	(421)
Invest to Save	(725)	25	(92)	(792)	56	0	(736)
Job Evaluations	(94)	94	0	0	0	0	0
Business Rate Retention Accounting	(472)	66	(486)	(892)	0	(410)	(1,302)
Grants Received	(467)	364	(330)	(433)	294	(602)	(741)
IT Systems & Equipment	(526)	0	0	(526)	0	0	(526)
Vehicles Replacement	(152)	0	0	(152)	0	0	(152)
Disabled Facilities Grants	(454)	454	0	0	0	0	0
Restructuring Reserve	(350)	0	0	(350)	0	0	(350)
Development Services Improvement Plan	(43)	0	0	(43)	0	0	(43)
Direct Leasing	(159)	15	0	(144)	0	(32)	(176)
Local Plan	0	0	(175)	(175)	0	0	(175)
CCTV	(109)	0	0	(109)	0	0	(109)
Harbour	(999)	417	(327)	(909)	109	(307)	(1,107)
Harbour Wall	(535)	0	0	(535)	0	0	(535)
Borough Development	(1,158)	207	(262)	(1,213)	1,026	(95)	(282)
Cemetery Reserve	0	0	(35)	(35)	0	(7)	(42)
Community Housing Fund	0	0	(430)	(430)	4	0	(426)
Pleasure Pier	0	0	(27)	(27)	0	0	(27)
Art Centre	0	0	0	0	0	0	0
Major Asset Repairs	0	0	0	0	0	0	0
Commuter Travel	0	0	0	0	0	0	0
Olympics	0	0	0	0	0	0	0
Repairs and Maintenance Minor Works	0	0	0	0	0	0	0
Housing New Homes Bonus	0	0	0	0	0	0	0
Harbour Income	0	0	0	0	0	0	0
Commercialisation Reserve	0	0	0	0	0	0	0
Available for Once Off Projects	0	0	0	0	798	(3,745)	(2,947)
CIL Reserve	0	0	0	0	0	(123)	(123)
TOTAL	(7,930)	1,922	(2,849)	(8,857)	2,996	(6,296)	(12,157)

12. OTHER OPERATING EXPENDITURE

	2016/17 £'000	2017/18 £'000
Parish council precepts	64	76
(Gains)/losses on disposal of non-current assets	(555)	(730)
TOTAL	(491)	(654)

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2017/18 £'000
Interest payable and similar charges	1,233	1,236
Net Pension Interest Costs (Note 36)	3,961	1,276
Interest receivable and similar income	(891)	(1,160)
TOTAL	4,303	1,352

NOTES TO THE ACCOUNTS

14. TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17	2017/18
	£'000	£'000
Council tax income	(6,013)	(6,191)
Non-domestic rates income and expenditure	(1,881)	(1,880)
Non-ring-fenced government grants	(742)	(1,264)
Capital grants and contributions	(1,262)	(15)
Collection fund surplus	(238)	(216)
TOTAL	(10,136)	(9,566)

15. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2017/18

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2017	73,841	7,864	5,376	805	0	87,886
Additions	137	0	0	0	0	137
Revaluation increases/(decreases) recognised in the Revaluation Reserve	991	0	0	0	0	991
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition on disposals	(128)	0	0	0	0	(128)
Reclassification Available for Sale (Note 21)	0	0	0	0	3,100	3,100
At 31 March 2018	74,841	7,864	5,376	805	3,100	91,986
Accumulated Depreciation and Impairment						
At 1 April 2017	(34,666)	(7,762)	(3,204)	(279)	0	(45,911)
Depreciation charge	(915)	(19)	(6)	(38)	0	(978)
At 31 March 2018	(35,581)	(7,781)	(3,210)	(317)	0	(46,889)
Net Book Value						
At 31 March 2018	39,260	83	2,166	488	3,100	45,097
At 31 March 2017	39,175	102	2,172	526	0	41,975

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
Cost or Valuation						
At 1 April 2016	71,322	7,864	5,376	805	0	85,367
Additions	70	0	0	0	0	70
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,198	0	0	0	0	4,198
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,610)	0	0	0	0	(1,610)
Reclassification Available for Sale	(139)	0	0	0	0	(139)
At 31 March 2017	73,841	7,864	5,376	805	0	87,886
Accumulated Depreciation and Impairment						
At 1 April 2016	(33,685)	(7,742)	(3,198)	(241)	0	(44,866)
Depreciation charge	(981)	(20)	(6)	(38)	0	(1,045)
At 31 March 2017	(34,666)	(7,762)	(3,204)	(279)	0	(45,911)
Net Book Value						
At 31 March 2017	39,175	102	2,172	526	0	41,975

Depreciation

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

- Other Land and Buildings - 15 to 50 years
- Vehicles, Plant, Furniture and Equipment 3 to 10 years
- Infrastructure assets - 20 years

Capital Commitments

The Council had no capital commitments as at 31st March 2018.

Effect of Changes in Estimates

In 2017/18 there have not been any changes to accounting estimates for Property, Plant and Equipment (PPE).

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. During 2017/18 15 assets were revalued.

The valuations were carried out by GVA Grimley Ltd, an external valuer. A general review of the fair value of all other assets was carried out by G Northcote, RICS, Estates Manager. No impairments were identified.

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Carried at historical cost	0	102	102
Valued at fair value as at:			
31 March 2018	15,368	3,064	18,432
31 March 2017	22,635	2,338	24,973
31 March 2016	24,973	2,234	27,207
31 March 2015	5,653	0	5,653
31 March 2014	6,212	126	6,338
Total Cost or Valuation	<u>74,841</u>	<u>7,864</u>	<u>82,705</u>

16. IMPAIRMENT LOSSES

There were no impairment losses identified during the impairment review in 2017/18. This was carried out by G. Northcote, RICS, Estates Manager.

NOTES TO THE ACCOUNTS

17. HERITAGE ASSETS

Silver and Gold

The Council has several items of silver and gold. This includes a pair of silver Charles II maces from 17th century which are used in ceremonial occasions. There is a silver Mayor's chain of office and gold mayoress chain of office. In addition there are 2 gold badges. They are stored in the Council's main safe deposit facility. When in official use the Mayor's Chauffeur is responsible for their security.

Pictures

The Council has several pictures, which include two oil paintings by Fred Whitehead of West Cliff, Portland, 1894, and Quarry, Portland, 1924, as well as a watercolour of Bow and Arrow Castle c. 1801. They are on display with appropriate security arrangements.

Paintings and artefacts on loan to Weymouth Museum

The Council has identified paintings and artefacts it owns that are on permanent loan to Weymouth Museum. The paintings include a portrait of Sir James Thornhill by William Hogarth and a portrait of King George III on horse back by Sir William Beeching. The artefacts include The Bussell Collection, which is an extensive collection of antique prints, mainly local views, and of other art relating to Weymouth, the Locomotive name plate "Weymouth", fragments of Romano British Tessellated pavement and LHU Papers, ephemera and slides.

Antique Mariners Clock

Stored in the Harbourmaster's office, this is a fine example of an antique mariners clock

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Paintings on loan to Weymouth Museum	Artefacts on loan to Weymouth Museum	Silver and Gold	Pictures	Antique Mariners Clock	Total Assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2016	170	216	182	11	3	582
In Year changes	0	0	0	0	0	0
31st March 2017	170	216	182	11	3	582
Cost or Valuation						
1st April 2017	170	216	182	11	3	582
In Year changes	0	0	0	0	0	0
31st March 2018	170	216	182	11	3	582

NOTES TO THE ACCOUNTS

18. FINANCIAL INSTRUMENTS

Financial Instruments - Classifications

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

Financial Liabilities

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

The Council's non-derivative financial liabilities held during the year are measured at amortised cost.

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 financial assets held by the Council during the year are held under the following two classifications.

Loans and receivables - financial assets that have fixed or determinable payments and are not quoted in an active market.

Available for sale financial assets - those that are quoted in an active market.

Balances in money market funds and call accounts at 31st 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.

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
Investments				
Available-for-Sale Financial Assets	12,320	12,192	27,142	16,066
Total Investments	12,320	12,192	27,142	16,066
Debtors				
Financial assets carried at contract amounts	207	279	4,145	4,357
Total Debtors	207	279	4,145	4,357
Borrowings				
Financial liabilities at amortised cost	27,896	27,901	0	0
Bank Overdraft	0	0	(129)	(9,420)
Accrued Interest Payable	0	0	(454)	(454)
Total Borrowings	27,896	27,901	(583)	(9,874)
Creditors				
Financial liabilities carried at contract amounts	0	0	(10,492)	(9,187)
Total Creditors	0	0	(10,492)	(9,187)

Income, Expense, Gains and Losses

	2017/18			2016/17	
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivable s £'000	Financial Assets: Available for sale £'000	Total £'000	Total £'000
Interest expense	1,236	0	0	1,236	(1,233)
Total expense in Surplus or Deficit on the Provision of Services	1,236	0	0	1,236	(1,233)
Interest income		62	1,097	1,159	892
Total income in Surplus or Deficit on the Provision of Services	0	62	1,097	1,159	892
Gains on revaluation	0	0	284	284	1,344
Losses on revaluation	0	0	(990)	(990)	(164)
Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and	0	0	(706)	(706)	1,180
Net gain/(loss) for the year	1,236	62	391	1,689	839

NOTES TO THE ACCOUNTS

Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2018.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2018. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

	31 March 2018		31 March 2017	
	Carrying	Fair Value	Carrying	Fair Value
	amount	£'000	amount	£'000
Financial Liabilities:				
Borrowings	27,896	51,854	27,901	54,067
Financial Assets:				
Loans & Receivables	5,545	5,545	12,345	12,345
Long Term Debtors	207	207	279	279

The Council has Housing deposits outstanding of £649,664 as at 31/3/2018 (£502,733 at 31/3/2017). On average these take 634 days to repay. Therefore they are treated as soft loans. They include a provision for impairment of £45,194 (£39,444 at 31/3/2017) and interest credited to the Council's Comprehensive Income & Expenditure Account of £30,306 (£23,164 at 31/3/2017) which is amortised to Financial Instruments Adjustment Account.

19. DEBTORS

	2017/18	2016/17
	£'000	£'000
Central Government Bodies	871	1,079
Impairment	0	0
	871	1,079
Other Local Authorities	2,570	1,304
Impairment	0	0
	2,570	1,304
Other entities and Individuals	4,546	8,130
Impairment	(3,842)	(6,156)
	704	1,974
TOTAL DEBTORS	4,145	4,357

NOTES TO THE ACCOUNTS

20. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements.

	2017/18	2016/17
	£'000	£'000
Cash held by the Authority	3	1
Bank Current Accounts	981	9,546
Money Market Funds	3,500	9,838
Call Accounts	1,506	2,495
Less Bank Overdraft	(129)	(9,420)
Total Cash and Cash Equivalents Balance	5,861	12,460

21. ASSETS HELD FOR SALE

Assets that are not required for operational purposes and actively being marketed for disposal are classified as "assets held for sale". During 2017/18 Portland Council Offices were disposed of. The sale of former Council Offices at North Quay, Weymouth was not completed. As at the balance sheet date it is not been actively marketed and there is not a reasonable expectation that a sale will be achieved within 12 months, management has decided to re-classify as Surplus Assets

	2017/18	2016/17
	£'000	£'000
Balance as at 1st April	4,897	4,857
Re-classification from Property, Plant and Equipment	0	140
New Acquisitions	0	0
De-recognition of asset disposed of	(139)	(100)
Revaluation losses	(508)	0
Re-classification from Assets Held for Sale to Surplus Assets	(3,100)	0
	1,150	4,897

Fair Value Hierarchy

2017/18	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31st March 2018 £'000
Miscellaneous Land	0	0	1,150	1,150
	0	0	1,150	1,150

Valuation Techniques used to determine Fair Values for Investment Properties

Significant unobservable Inputs Level 3

Rents, Yields, build costs, sales value, commercial rental, construction costs and finance costs

Highest and Best Use

In estimating the fair value of the Council's assets held for sale, the highest and best use of the assets is market value.

NOTES TO THE ACCOUNTS

Valuation Process for Assets held for sale

The fair value of the Council's Assets held for Sale is measured annually at each reporting date. All valuations are carried out by an external valuer, GVA Grimley Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding valuation matters.

22. CREDITORS

	31 March 2018 £'000	31 March 2017 £'000
Central Government Bodies	(4,258)	(3,593)
Other Local Authorities	(3,750)	(3,444)
Other Entities and Individuals	(2,484)	(2,150)
Balance outstanding at year-end	<u>(10,492)</u>	<u>(9,187)</u>

23. PROVISIONS

	NDR Appeals	MMI	Hotels and Guest Houses £'000	Staff Exit Costs £'000	Total £'000
2017/18					
Balance as at 1st April 2017	2,073	0	45	32	2,150
Use of provision	0	0	0	(32)	(32)
Additional provision made during 2017/18	660	0	0	104	764
Balance as at 31st March 2018	<u>2733</u>	<u>0</u>	<u>45</u>	<u>104</u>	<u>2882</u>

	NDR Appeals	MMI	Hotels and Guest Houses £'000	Staff Exit Costs £'000	Total £'000
2016/17					
Balance as at 1st April 2016	1316	88	0	0	1,404
Use of provision	0	(88)	0	0	(88)
Additional provision made during 2016/17	757	0	45	32	834
Balance as at 31st March 2017	<u>2073</u>	<u>0</u>	<u>45</u>	<u>32</u>	<u>2150</u>

Staff Exit Costs

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

NDR Appeals

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

Hotels and Guest Houses

In 2016/17 there was a delay in carrying out contracted structural works on four hotels on Weymouth Esplanade. The provision is the best estimate of compensation that may be payable to the lease holders. One claim has been settled, two are still subject to ongoing negotiation and a third is part of legal action for repossession of the lease.

24. USABLE RESERVES

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 8.

NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES

	31 March 2018	31 March 2017
	£'000	£'000
Revaluation Reserve	28,327	28,534
Available-for-Sale Financial Instruments Reserve	1,310	2,016
Capital Adjustment Account	10,645	10,986
Financial Instruments Adjustment Account	(4,311)	(4,421)
Deferred Capital Receipts Reserve	0	0
Pensions Reserve	(45,270)	(50,989)
Collection Fund Adjustment Account	92	314
Accumulated Absences Account	(109)	(104)
Total Unusable Reserves	<u>(9,316)</u>	<u>(13,664)</u>

Revaluation Reserve

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

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

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

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		28,534		24,976
Upward revaluation of assets	2,365		5,922	
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	<u>(1,883)</u>		<u>(1,724)</u>	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		482		4,198
Difference between fair value depreciation and historical cost depreciation	(612)		(640)	
Accumulated gains on assets sold or scrapped	<u>(77)</u>		0	
Amount written off to the Capital Adjustment Account		<u>(689)</u>		<u>(640)</u>
Balance at 31 March		<u>28,327</u>		<u>28,534</u>

NOTES TO THE ACCOUNTS

Available-for-Sale Financial Instruments Reserve

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

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

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,016		836
Upward revaluation of investments	(990)		(164)	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services				
	<u>284</u>		<u>1,344</u>	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<u>(706)</u>		<u>1,180</u>
Balance at 31 March		<u>1,310</u>		<u>2,016</u>

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

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		10,986		12,957
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets. Note 15	(979)		(1,044)	
Revenue expenditure funded from capital under statute. Note 34	<u>(122)</u>		<u>(74)</u>	
		(1,101)		(1,118)
Revaluation losses on Property, Plant and Equipment	0		(1,610)	
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	<u>(190)</u>		<u>(100)</u>	
		<u>(190)</u>		<u>(1,710)</u>
		(1,291)		(2,828)
Adjusting amounts written out of the Revaluation Reserve		612		640
Net written out amount of the cost of non-current assets consumed in the year				
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	112		70	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	16		20	
Statutory provision for the financing of capital investment charged against General Fund	77		74	
Capital expenditure charged against the General Fund balance	<u>133</u>		<u>53</u>	
		338		217
Balance at 31 March		<u>10,645</u>		<u>10,986</u>

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(4,421)	(4,529)
Release of deferred premia	124	124
Income from Soft Loans	31	23
Impairment of soft loans	(45)	(39)
Balance at 31 March	(4,311)	(4,421)

Pensions Reserve

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	(50,989)	(48,151)
Remeasurement of the net defined benefit liability/(asset)	7,781	(930)
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	(3,707)	(3,509)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,645	1,601
Balance at 31 March	(45,270)	(50,989)

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and 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.

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	314	587
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	(291)	(309)
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	69	36
Balance at 31 March	<u>92</u>	<u>314</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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		(104)		(104)
Settlement or cancellation of accrual made at the end of the preceding year	104		104	
Amounts accrued at the end of the current year	<u>(109)</u>		<u>(104)</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		(5)		0
Balance at 31 March		<u>(109)</u>		<u>(104)</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 received	981	748
Interest paid	(1,233)	(1,039)
Total	(252)	(291)

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

	2017/18	2016/17
	£'000	£'000
Depreciation	979	1,045
Impairment and downward valuations	0	1,610
Increase/(Decrease) in Creditors	1,306	4,048
(Increase)/Decrease in Debtors	(434)	(214)
(Increase)/Decrease in Inventories	0	3
Movement in Pension Liability	2,060	2,472
Carrying amount of Non-current Assets sold or derecognised	267	100
Other non-cash items charged to the net surplus or deficit on the provision of services	732	190
	4,910	9,254

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

	2017/18	2016/17
	£'000	£'000
Proceeds from the sale of Non-current Assets	(997)	(655)
Change in short term and long term investments	3,000	1,000
Capital Grants relating to Non-current Assets	(15)	(20)
	1,988	325

27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18	2016/17
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(137)	(70)
Purchase of Short Term and Long Term Investments	(15,000)	(3,000)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	997	655
Proceeds from Short Term and Long Term Investments	0	0
Other Receipts from Investing Activities	87	37
Net Cash Flows from Investing Activities	(14,053)	(2,378)

28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18	2016/17
	£'000	£'000
Billing and Precepting Authority Collection Fund Adjustment	0	(520)
Repayments of Short Term and Long Term Borrowing	0	(3)
Other payments for financing activities	735	(909)
Net Cash Flows from Financing Activities	735	(1,432)

29. MEMBERS' ALLOWANCES

The Council paid the following amount to members of the council during the year.

	2017/18	2016/17
Allowances	259,087	245,698
Expenses	4,493	6,081
Total	263,580	251,779

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 Weymouth & Portland Borough Council who receives a salary at this level.

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	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.

	2017/18 £'000	2016/17 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	43	43
Fees payable to KPMG for the certification of grant claims and returns	9	9
Fees payable in respect of other services provided by the external auditor	0	0
Total	52	52

32. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	269	742
New Homes Bonus	966	1,242
New Burdens	24	0
Weymouth Bay Coastal Study - Environment Agency	0	10
Chesil Sea Wall Study	15	10
Total	1,274	2,004
Credited to Services		
Cost of Collection Local Taxation	106	107
Housing Benefit Administration Grant	381	411
Discretionary Housing Payment	72	149
Homelessness	191	21
DWP Allowances	26,177	28,128
Community Housing Fund	0	430
Other grants	10	48
Total	26,937	29,294

NOTES TO THE ACCOUNTS

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). 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 shared on a proportionate basis.

PSP Weymouth LLP

PSP Weymouth LLP is 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. There have not been any transactions during the year.

Weymouth Port Health Authority (WPHA)

WPHA levied the sum of £29,872 for 2017/18. (2016/17 £29,872). As at 31st March 2018 the balance sheet includes a debtor of £24,332 for WPHA compared to £32,515 as at 31st March 2017. Councillors P. Kimber, D Hawkins, G Taylor, M Tewkesbury, S West, J Birtwhistle, R Nowak, J Ellis, J Osborne, J Cant and C Page-Nash served on the WPHA during the year. J. Strange (Head of Financial Services) acted as Treasurer to WPHA. N Emery (Head of Business Regulation and Support) acted as Chief Port Health Officer until 31 May 2017 when he was replaced by R Frost (Environmental Health Manager - Food and Port Health). Two Environmental Health Officers are employed by WPHA on a part-time basis with other standing in when required.

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.

Charities and Partnerships

The Council administers certain charity accounts which are not included in its statement of accounts. The Council has various partnership arrangements, but none were of material financial assistance. The Council has significantly reduced grants it makes to voluntary organisations. Of the few made none were material to the organisation relative to their other income.

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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2017/18	2016/17
	£'000	£'000
Opening Capital Financing Requirement	8,358	8,432
Capital Investment		
Property, Plant & Equipment	138	70
PPE acquired under finance lease	0	0
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure funded from capital under statute	122	74
Sources of Finance		
Capital Receipts	(112)	(70)
Government Grants and other contributions	(15)	(20)
Direct Revenue Contributions	(133)	(54)
Minimum Revenue Provision	(77)	(74)
Closing Capital Financing Requirement	8,281	8,358
Explanation of movement in year		
Underlying need to engage in unsupported borrowing	0	0

NOTES TO THE ACCOUNTS

35. LEASES

Council as Lessee

Finance Leases

The Council does not have any finance leases as lessee.

Operating Leases

The Council had a contract with Specialist Fleet Services Ltd (SFS) for the supply of small depot vehicles. They are deemed operating leases

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

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	59	1
Later than one year and not later than five years	0	110
Later than five years	0	0
	<u>59</u>	<u>111</u>

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

	2017/18 £'000	2016/17 £'000
Minimum lease payments	84	62
Contingent rents	0	0
	<u>84</u>	<u>62</u>

Council as Lessor

Finance Leases

The Council does not have any finance leases as Lessor

Operating Leases

The Council leases out several hotels and guest houses under operating leases for the purposes of promoting tourism. In addition the Council also leases out a few other properties for the provision of community services.

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

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	1,222	1,278
Later than one year and not later than five years	4,304	3,958
Later than five years	36,251	33,180
	<u>41,777</u>	<u>38,416</u>

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

NOTES TO THE ACCOUNTS

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. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority 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 Authority 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 the General Fund the amounts required by statute as set out in the accounting policies in note 1.

Discretionary Post-retirement Benefits

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

Transactions relating to Post-employment Benefits

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

	2017/18	2016/17
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current Service cost	2,203	1,318
Past Service costs	169	132
Administration Expense	58	53
(gain)/loss from settlements	0	340
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,276	1,666
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	3,706	3,509
<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)	(2,075)	(11,597)
Other actuarial losses on assets	0	(3,633)
Actuarial gains and losses arising on change in demographic assumptions	0	982
Actuarial gains and losses arising on change in financial assumptions	(5,706)	24,421
Experience gain/(loss) on defined benefits obligation	0	(9,243)
<i>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>	(7,781)	930
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	(3,706)	(3,509)
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme	1,646	1,601
<i>Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme</i>	(2,060)	(1,908)

NOTES TO THE ACCOUNTS

As part of the shared services partnership between the Council and West Dorset District Council, the Council is the employer for all staff.

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 as follows:

	2017/18	2016/17
	£'000	£'000
Present Value of the defined benefit obligation	(125,889)	(128,628)
Fair Value of Plan Assets	84,734	82,057
Net Liability	(41,155)	(46,571)
Present Value of the unfunded obligation	(4,115)	(4,418)
Net Liability in Balance Sheet arising from defined benefit obligation	(45,270)	(50,989)

Reconciliation of the Movement in the Fair Value of Scheme Assets

	2017/18	2016/17
	£'000	£'000
Opening fair value of scheme assets	82,057	66,031
Interest income	2,048	2,295
Remeasurement gain/loss		
Return on plan assets, excluding the amount included in the net interest expense	2,075	11,597
Other actuarial gains and losses	0	3,633
Contributions from employers	1,646	1,601
Contributions from employees into the scheme	369	366
Administration Expenses	(59)	(53)
Estimated benefits paid plus unfunded net of transfers in	(3,402)	(3,931)
Settlement prices received	0	518
Closing balance at 31 March	84,734	82,057

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

	2017/18	2016/17
	£'000	£'000
Opening Balance 1st April	133,046	114,182
Current Service Costs	2,203	1,318
Interest cost	3,324	3,961
Contributions from scheme participants	369	366
Remeasurement (gains) and losses		
Actuarial gains/losses arising from changes in demographic assumptions	0	982
Actuarial gains/losses arising from changes in financial assumptions	(5,706)	24,421
Liabilities extinguished on settlements	0	858
Experience loss/(gain) on defined benefits obligations	0	(9,243)
Estimated benefits paid net of transfers in	(3,113)	(3,637)
Past Service Costs (including curtailments)	169	132
Unfunded pension payments	(289)	(294)
Closing balance at 31 March	130,003	133,046

NOTES TO THE ACCOUNTS

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	45,802	54	46,035	57
Cash	1,190	1	911	1
Other Bonds	5,939	7	9,404	11
Multi Asset Credit	3,987	5	0	0
Liability Driven Investment	11,094	13	12,181	15
Diversified Growth Fund	5,122	6	3,558	4
Property	8,541	10	7,214	9
Infrastructure	3,058	4	2,741	3
Hedge Fund	0	0	13	0
	<u>84,733</u>	<u>100</u>	<u>82,057</u>	<u>100</u>

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	26.2	26.1
Women	28.4	28.3
Rate of inflation - RPI	3.35%	3.6%
Rate of inflation - CPI	2.35%	2.7%
Rate of increase in salaries	3.85%	4.2%
Rate of increase in pensions	2.35%	2.7%
Rate for discounting scheme liabilities	2.55%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50.0%

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

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

NOTES TO THE ACCOUNTS

	Impact in the defined Benefit Obligation in the scheme		
	Increase in Assumption by 0.1% £'000	130,004	Decrease in Assumption by 0.1% £'000
Discount Rate			
Present value of total obligation	128,076	130,004	132,652
Projected Service Costs	2,029	2,078	2,128
Long Term Salary Increase			
Present value of total obligation	130,493	130,004	130,193
Projected Service Costs	2,078	2,078	2,078
Pension increases and deferred revaluation			
Present value of total obligation	132,504	130,004	128,219
Projected Service Costs	2,128	2,078	2,029
Life Expectancy assumptions			
	+ 1 year		- 1 year
Present value of total obligation	132,504	130,004	128,414
Projected Service Costs	2,144	2,078	2,014

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

The Authority anticipates to pay £1,298,000 expected contributions to the scheme in 2018/19.

37. CONTINGENT LIABILITIES

The Council's former insurers, Municipal Mutual Insurance, are in administration and unlikely to have sufficient funds to settle all claims. The administrators have issued two levies totalling £221,364, one in 2014 and one in 2016. The maximum potential liability for the Council was estimated to be £935,454 as at 31 March 2018 (£928,418 as at 31 March 2017). No further provision has been made.

NOTES TO THE ACCOUNTS

38. 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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

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

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

Credit Risk

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

A limit of £3m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors, for example the total that can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in Banks and Building Societies 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.

NOTES TO THE ACCOUNTS

The credit criteria in respect of Financial Assets held by the Council 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	£3m
Business Reserve Accounts	Credit rating of A- (or equivalent) Advice from Treasury advisors	£3m
Gilts & Deposits with the DMO	Government institution Advice from Treasury advisors	Unlimited
Deposits with other Local Authorities	Government backed institution Advice from Treasury advisors	£3m
Certificates of Deposit with Banks and Building Societies	Credit rating of A- (or equivalent) Advice from Treasury advisors	£1.5m
Supranational Bonds	Multi-national backed institution Advice from Treasury advisors	£3m
Deposits with Money Market Funds and Collective Investment Schemes	AAA rated Advice from Treasury advisors	£3m
Bonds and Debt Instruments issued by Corporate Bodies	Advice from Treasury advisors	£1.5m
Collective Investment Schemes (Pooled Funds)	Advice from Treasury advisors	£3m £6m Property Funds

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 following analysis summarises the Council's potential maximum exposure to credit risk, based on experience on default and uncollectability over the last 3 financial years.

	Amount at 31 March 2018 £'000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £'000	Amount at 31 March 2017 £'000
Money Market Funds	3,500	0%	0	0
Liquidity Accounts	2,487	0%	0	0
Bonds	6,056	0%	0	0
Unit Funds	27,142	0%	0	0
Property Funds	6,265	0%	0	0
Customers	1,490	1%	15	14
			15	14

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.

	31 March 2018	31 March 2017
	£'000	£'000
Less than three months	741	1,901
Three to six months	157	69
Six months to one year	151	131
More than one year	441	366
	<u>1,490</u>	<u>2,467</u>

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.

The maturity analysis of financial liabilities is as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Less than 1 year	0	0
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 6 and 10 years	0	0
Between 11 and 50 years	0	0
Over 50 years	27,000	27,000
	<u>27,000</u>	<u>27,000</u>

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 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.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. According to this assessment strategy, at 31 March 2018, if interest rates has been 1% higher with all other variables held constant, there would have been an increase in interest receivable on investments of approximately £390,000.

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, which can be found on the Council website, dorsetforyou.com

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 £1,977,000 being recognised in Other Comprehensive Income and Expenditure for 2017/18.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

39. SHORT TERM BORROWING

31st March 2018 £'000		31st March 2017 £'000
(459)	Accrued Interest Payable	(454)
(459)		(454)

40. WEYMOUTH HARBOUR

31st March 2018 £'000		31st March 2017 £'000
1,058	Expenditure	1,020
(1,194)	Income	(1,166)
(136)	Deficit/(Surplus)	(146)

This table shows the income and expenditure of Weymouth Harbour for 2017/2018 and 2016/17. A Harbour Revision order is due to be adopted in 2018/19

41. SURPLUS ASSETS

31st March 2018 £'000		31st March 2017 £'000
0	Balance b/f	0
3,100	Reclassification from Asset Held for Sale	0
3,100	Balance cf 31 st March	0

The reclassification relates to the former Council Offices at North Quay, Weymouth

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
INCOME						
Council Tax	41,012		41,012	38,799		38,799
Non-Domestic Rates		17,018	17,018		17,651	17,651
TOTAL INCOME	41,012	17,018	58,030	38,799	17,651	56,450
PRECEPTS / NDR DISTRIBUTION						
Central Government		7,331	7,331		8,009	8,009
Dorset County Council	27,494	1,320	28,814	25,993	1,442	27,435
Dorset Police Authority	4,032		4,032	3,924		3,924
Dorset Fire Authority	1,463	147	1,610	1,424	160	1,584
Weymouth & Portland BC	6,115	5,865	11,980	5,952	6,407	12,359
Portland Town Council	76		76	64		64
PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED						
Central Government		90	90		246	246
Dorset County Council	645	16	661	866	44	910
Dorset Police Authority	97		97	133		133
Dorset Fire Authority	35	2	37	48	5	53
Weymouth & Portland BC	148	72	220	202	197	399
ALLOWANCES TO CHARGING AUTHORITY						
Non-Domestic Rate Cost Of Collection		106	106		107	107
Renewable Energy Scheme			0			0
TRANSITIONAL RELIEF ADJUSTMENT						
Transitional Relief Paid In Advance		464	464		118	118
PROVISION FOR APPEALS						
Increase/(Decrease) To Provision		2,701	2,701		2,289	2,289
Refunds Awarded		(1,049)	(1,049)		(397)	(397)
PROVISION FOR BAD DEBTS						
Increase/(Decrease) To Provision	301	528	829	(193)	(718)	(911)
Debts Written Off In Year	127	151	278	133	517	650
TOTAL DEDUCTIONS	40,533	17,744	58,277	38,546	18,426	56,972
Surplus / (Deficit) Arising In Year	479	(726)	(247)	253	(775)	(522)
Balance B/F 1st April	2,330	(141)	2,189	2,077	634	2,711
Balance C/F 31st March	2,809	(867)	1,942	2,330	(141)	2,189

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2016/17 i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	5.41	5/9	3.00
A	4,181.97	6/9	2,788.00
B	7,052.93	7/9	5,485.60
C	5,124.76	8/9	4,555.30
D	4,329.99	9/9	4,330.00
E	2,123.44	11/9	2,595.30
F	831.46	13/9	1,201.00
G	292.23	15/9	487.10
H	13.75	18/9	27.50
	<u>23,955.94</u>		<u>21,472.80</u>
Less Adjustment for Collection Rates			(751.50)
Council Tax Base			<u>20,721.30</u>

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	£46,380,649	£44,384,537
National Multiplier	47.9p	49.7p
Small Business Multiplier	46.6p	48.4p

3. ALLOCATION OF COLLECTION FUND SURPLUS

	COUNCIL TAX £	NDR £	TOTAL £
Central Government		(433,723)	(433,723)
Dorset County Council	1,975,495	(78,070)	1,897,425
Dorset Police Authority	289,869		289,869
Dorset Fire Authority	104,051	(8,674)	95,377
Weymouth & Portland Borough Council	439,056	(346,978)	92,078
Total Surplus As At 31st March 2018	<u>2,808,471</u>	<u>(867,445)</u>	<u>1,941,026</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Weymouth & Portland Borough 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.

Weymouth and Portland Borough Council has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government updated in 2016. A copy of the code is on our website at www.dorsetforyou.com or can be obtained from the council offices. This statement explains how Weymouth and Portland 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 Weymouth & Portland Borough 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 Weymouth and Portland Borough 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 Council's website, dorsetforyou.com

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

Weymouth & Portland Borough 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
Use of performance management software, QPR, 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 Heads of Service to discuss their responsibilities and any issues identified during the year. The Heads of Service complete a questionnaire which is signed off by their Strategic Director

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

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. Parliament has approved the legislation and the Shadow Authorities have been formed. Each Shadow Authority includes the councillors from within the areas covered by the new authority and each has elected 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. Interim Head of the Paid Service (Chief Executive), Monitoring Officer and S151 Officer have been appointed.

OWNER: CHIEF EXECUTIVE


Comment


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

ANNUAL GOVERNANCE STATEMENT

Statement of Assurance

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

Signed  Date 25/7/18
Matt Prosser, Chief Executive

Signed  Date 25/7/18
Cllr Cant, Chair, Management Committee

GLOSSARY OF TERMS

ACCRUALS

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

ACCUMULATED ABSENCES ACCOUNT

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

AMORTISATION

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

AMORTISED COST

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

AREA BASED GRANT (ABG)

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

ASSETS HELD FOR SALE

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

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

BALANCE SHEET

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

BUDGET

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

BUSINESS RATES

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

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

GLOSSARY OF TERMS

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

CAPITAL EXPENDITURE

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

CAPITAL GRANTS AND CONTRIBUTIONS

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

CAPITAL GRANTS UNAPPLIED ACCOUNT

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

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS RESERVE

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

CASH & CASH EQUIVALENTS

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

CASH FLOW STATEMENT

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.

CODES OF PRACTICE

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

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.

GLOSSARY OF TERMS

COLLECTION FUND ADJUSTMENT ACCOUNT

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

COUNCIL TAX

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

COUNCIL TAX BENEFIT

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

CURRENT SERVICE COSTS (PENSIONS)

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

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.

GLOSSARY OF TERMS

DEPRECIATION

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

EARMARKED RESERVES

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

FAIR VALUE

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

FINANCE LEASES

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

FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

GENERAL FUND

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

HERITAGE ASSET

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its 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)

GLOSSARY OF TERMS

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

INVENTORIES

These include goods purchased for resale and consumable stores.

INVESTMENT PROPERTY

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

INVESTMENTS

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

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.

LOBO

A financial instrument where the lender has the option at set dates to request an interest rate increase and within a set number of days the borrower has the right to either agree the increase or repay the loan in full. This type of loan is known as Lenders Option, Borrowers Option.

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.

GLOSSARY OF TERMS

PROVISIONS

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

RESERVES

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Non-Current Assets.

REVENUE SUPPORT GRANT (RSG)

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

SECTION 106 RECEIPTS

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

SPECIFIC GRANTS

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

SURPLUS ASSETS

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

UNOBSERVABLE INPUTS

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

UNUSABLE RESERVES

Reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement.

USABLE RESERVES

Reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.