

**Weymouth and Portland
Borough Council**

Statement of Accounts

Year ended 31 March 2019

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

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NARRATIVE STATEMENT

Introduction

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

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the code). It is the purpose of this report to explain, in an easily 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 2018/19 and its financial position at the end of the year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Statement seeks to clarify the relationship between the Council's financial statements and other financial information 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 2018 to 31 March 2019 are set out on the following pages and consist of:

(a) Movement in Reserves Statement - showing the movement in the year on the different reserves held by the 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 2019 compared to previous years, showing all assets and liabilities of the Council.

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

(e) Collection Fund - which identifies all transactions relating to the collection of Council Tax and Business Rates, including sums paid to precepting councils and passed to 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 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 2018 the Council set a balanced revenue budget for the 2018/19 financial year with a gross revenue spend of £50,412,026. After allowing for budgeted income of £41,990,990 the net budget requirement was set at £8,421,036.

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

The General Fund balance (including Earmarked Reserves) has reduced by £468,841 during the year, after a one off adjustment for IFRS 9 transition, as set out in the expenditure and funding analysis. Before the one off use of general fund reserves there was a favourable variance of £156,501 compared the approved budget.

Revenue Transactions

The revenue outturn and movement in general fund balance for the year compared to the current budget are set out below.

	Current Budget	Net Expenditure	Variance
	£'000	£'000	£'000
Financial Services	1,518	1,656	138
Revenues and Benefits	204	275	71
Business Improvement	1,563	1,253	(310)
Community Protection	4,299	4,109	(190)
Housing	681	713	32
Planning Development Management & Building Control	204	192	(12)
Community & Policy Development	592	604	12
Economy, Leisure and Tourism	2,574	2,260	(314)
Assets and Infrastructure	(85)	(160)	(75)
Democratic Services and Elections	572	563	(9)
Human Resources and Organisational Development	272	230	(42)
Legal Services	295	265	(30)
Net Cost of Services	12,689	11,960	(729)
Other Operating Expenditure	(222)	(222)	0
Financing and Investment Income and Expenditure	1,692	2,652	960
Taxation and Non-Specific Grant Income	(9,377)	(9,414)	(37)
Surplus on the Provision of Services	4,782	4,976	194
Adjustments between accounting and regulatory bases (see below)	(4,782)	(5,847)	(1,065)
Net Decrease in General Fund Balance before Transfers to Earmarked Reserves	0	(871)	(871)
IFRS 9 Transition	0	400	400
Transfers to/(from) Earmarked Reserves	0	(226)	(226)
Decrease in General Fund Balance for the Year	0	(697)	(697)
General Fund			
Balance Brought forward 1st April 2018		(3,393)	
deficit for the year		697	
Balance carried forward 31st March 2019		(2,696)	

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.

	2017/18	2018/19
General Fund	3,393	2,696
Earmarked Reserves	12,157	13,324
Total General Fund Reserves	15,550	16,020

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.

Capital Expenditure

Capital expenditure for the year was £853,483 as set out below.

Scheme	Original Budget £	Current Budget £	Actual Expenditure £
Weymouth Harbour Walls	1,955,000	84,000	82,357
Chesil Sea Wall Study	56,000	56,000	0
Weymouth Beach Management Study	0	50,000	24,377
Weymouth Breach Analysis & Wave Overtopping Study	0	25,000	19,718
Weymouth Harbour Tidal Defence Scheme PH1a	0	100,000	27,301
Weymouth Harbour Walls Condition Survey	0	60,000	32,647
Weymouth Public Conveniences	0	49,000	0
North Quay Redevelopment / Relocation	0	62,591	0
Esplanade Lighting Scheme	0	200,000	0
High Street Portland	250,000	127,760	0
Pavilion Improvement Grant	250,000	250,000	237,500
Peninsula Development	500,000	500,000	0
Local Housing Need Scheme	450,000	450,000	429,583
TOTAL	3,461,000	2,014,351	853,483

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 2018/19 the capital programme was financed by the following:

	Financing £'000
Government and other capital grants	127
Borrowing	0
Capital Receipts	699
Reserves/Revenue funding of capital expenditure	27
	853

No new borrowing was taken during the year. As at 31 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 £210,090 from the sale of assets, namely land at Emerson Road and land at Littlemoor. In addition the Council received £203,495 under an agreement with Aster Housing Association (formerly Synergy) in respect of preserved Right To Buy former Council Houses. These sums are added to the Useable Capital Receipts Reserve to fund future capital expenditure.

Unusual Transactions

There were no material or unusual transactions.

Borrowings

The Council's market debt of £21,000,000 (2017/18: £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 2018/19 the changes to accounting standards will not result in a change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

Basis of preparation

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

the Accounts and Audit Regulations 2015; and

the CIPFA Code of Practice on Local Authority Accounting 2018/19.

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

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

Changes to Statutory Functions

There were no changes to statutory functions which had a significant impact on the accounts. The Council is seeking to 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 2018/19 was £1,545, representing an increase of 5.25% over 2017/18. Actual amounts billed total £43.377m of which 96.29% was collected in-year (compared to 96.3% in 2017/18), and after adjustments to the bad debt provision a deficit of £1.201m was incurred. This was offset against 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 £17.841m during the year, of which 96.58% was collected in year (compared to 96.48% in 2017/18). After adjustments to the bad debt and appeal provisions a surplus of £0.784m was generated. This was offset against the existing deficit in the Non-Domestic Rates Adjustment Account to be recovered over the next 2 years.

Restatement of Comparatives in Notes 19, 22 and Balance Sheet

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

NARRATIVE STATEMENT

Note 19. Debtors	Original 17/18	Restated 17/18
Debtors for Local Taxation - Council Tax	4,352	617
Debtors for Local Taxation - NNDR	2,028	986
Other receivable amounts	1857	1,337
Provision For Impairment		
Debtors for Local Taxation - Council Tax	(3,473)	(532)
Debtors for Local Taxation - NNDR	(1,512)	(605)
Note 22. Creditors	Original 17/18	Restated 17/18
Other Payables	(8,030)	(9,479)
Balance Sheet As At 31 March 2018	Original 17/18	Restated 17/18
Short-term Debtors	4,145	2,696
Short-term Creditors	(10,492)	(9,043)

Pensions

The Balance Sheet shows a net deficit on the pensions reserve of £44.087m as at 31 March 2019, compared to £45.27m at 31 March 2018. 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. £1,676,000 was charged to the general fund in 2018/19. Current service costs will be shared as part of the cost sharing agreement of the partnership. Further details of the pension scheme are shown in Note 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 2018/19 (full year data)	Target 2018/19	Actual 2017/18 (full year data)
Average number of working days lost to sickness	7.68 days	7 days	7.35 days
Percentage of creditors paid by BACS	99.96%	95.00%	99.83%
Percentage of non-disputed invoices paid within 30 calendar days	97.16%	95.00%	94.57%
Percentage of Council Tax collected	96.44%	96.00%	96.30%
Percentage of Business Rates collected	96.58%	96.00%	96.48%
Average calendar days to process new housing benefit claims	14.4 days	19 days	19.73 days
Average days to process housing benefit changes of circumstances	4.4 days	7 days	5.3 days
Percentage of "major" planning applications determined within 13 weeks or agreed extension of time	80%	60%	87.50%
Percentage of "non major" planning applications determined within 8 weeks or agreed extension of time	70.74%	70.00%	84.70%

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

Current Economic Climate

The Authority had a robust approach to budgeting and tight budget monitoring through the business review process. The Council has total Earmarked Reserves of £13,324k in addition to the General Fund balance of £2,696k, making a total of £16,020k.

NARRATIVE STATEMENT

Local Government Reorganisation

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

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

Post Balance Sheet Events

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

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for Weymouth & Portland Borough Council equates to a potential increase in liabilities of approximately £1.024 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for Weymouth & Portland Borough Council as at 31 March 2019 to be 0.4% of total liabilities. This equates to a potential increase in liabilities of approximately £0.529 million.

Weymouth & Portland Borough Council has adjusted its accounts by the amount estimated using the GAD methodology of £1.024 million.

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

Further Information

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

The accounts will be audited by Deloitte LLP.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer is also required to have:

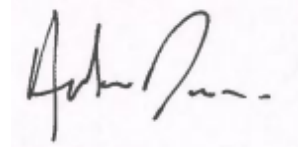
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF THE STATEMENT OF ACCOUNTS 2018/2019

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

Aidan Dunn

Executive Director of Corporate Development for Dorset Council



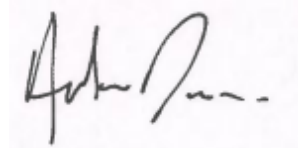
Date:

31-May-19

RE-CERTIFICATION PRIOR TO APPROVAL AT ACCOUNTS & AUDIT COMMITTEE

Aidan Dunn

Executive Director of Corporate Development for Dorset Council



Date:

16-Dec-19

Certification by the Chairman of the Audit Committee

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

Signed on Behalf of Weymouth & Portland Borough Council:
Chair of the meeting approving the accounts: Cllr. M Hall



Date:

17-Dec-19

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements of Weymouth and Portland Borough Council ('the Authority'):

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

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 41; and
- the Collection Fund.

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

Basis for qualified opinion

Property, plant and equipment

As at 31 March 2019 and 31 March 2018 property plant and equipment balances were carried at £43.66m and £45.68m respectively.

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

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

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

Non-Domestic Rates (NDR) Appeals Provision

As at 31 March 2019 and 31 March 2018 the NDR provision was £3.63m and £2.73m respectively.

The Authority recognises a provision in relation to their share of the appeals raised against the non-domestic rates it collects on behalf of itself and other entities as part of the Authority's collection fund. We were unable to obtain sufficient appropriate audit evidence in relation to the yearend balance. Consequently, we are unable to conclude that the provisions held are held appropriately in line with the CIPFA code. There is a potential that this may be material.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

Chief Financial Officer's responsibilities

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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 2019.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether 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 2019.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

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

USE OF OUR REPORT

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



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

EXPENDITURE AND FUNDING ANALYSIS

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

2017/18				2018/19			
Net Expenditure Chargeable to GF	Adjustment between Funding and Accounting Basis	Net Expenditure in C I E S		Net Expenditure Chargeable to GF	Adjustment between Funding and Accounting Basis	Net Expenditure in C I E S	
1,858	(77)	1,935	Financial Services	1,588	(68)	1,656	
(14)	(111)	97	Revenues and Benefits	177	(98)	275	
1,324	(90)	1,414	Business Improvement	1,177	(76)	1,253	
2,516	(372)	2,888	Community Protection	3,856	(253)	4,109	
606	(26)	632	Housing Services	669	(44)	713	
191	(60)	251	Planning Development Management & Building Control	185	(29)	214	
393	(36)	429	Community & Policy Development	529	(52)	581	
87	(236)	323	Economy, Leisure and Tourism	(196)	(2,455)	2,259	
(604)	(663)	59	Assets and Infrastructure	(837)	(678)	(159)	
505	(18)	523	Democratic Services and Elections	549	(14)	563	
225	(22)	247	Human Resources and Organisational Development	213	(17)	230	
222	(27)	249	Legal Services	244	(22)	266	
7,309	(1,738)	9,047	Net Cost of Services	8,154	(3,806)	11,960	
(9,455)	(587)	(8,868)	Other income and Expenditure	(9,025)	(2,041)	(6,984)	
(2,146)	(2,325)	179	Surplus or deficit	(871)	(5,847)	4,976	
(13,404)			Opening Balance General Fund 1 April	(15,550)			
0			IFRS 9 Transition	401			
(2,146)			(Surplus)/Deficit for the year	(871)			
(15,550)			Closing Balance General Fund 31 March	(16,020)			

The accompanying notes form part of these financial statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,130	(195)	1,935	Financial Services	2,293	(637)	1,656
28,492	(28,395)	97	Revenues and Benefits	25,107	(24,832)	275
1,528	(114)	1,414	Business Improvement	1,292	(39)	1,253
5,277	(2,389)	2,888	Community Protection	6,355	(2,246)	4,109
1,602	(970)	632	Housing	2,184	(1,471)	713
697	(446)	251	Planning Development Management & Building Control	748	(534)	214
488	(59)	429	Community & Policy Development	639	(58)	581
1,931	(1,608)	323	Economy, Leisure and Tourism	4,047	(1,788)	2,259
4,734	(4,675)	59	Assets and Infrastructure	4,720	(4,879)	(159)
769	(246)	523	Democratic Services and Elections	581	(18)	563
247	0	247	Human Resources and Organisational Development	232	(2)	230
377	(128)	249	Legal Services	441	(175)	266
48,272	(39,225)	9,047	Cost of Services	48,639	(36,679)	11,960
343	(997)	(654)	Other Operating Expenditure (Note 12)	191	(414)	(223)
2,512	(1,160)	1,352	Financing and Investment Income and Expenditure (Note 13)	4,666	(2,013)	2,653
4,772	(14,338)	(9,566)	Taxation and Non-Specific Grant Income (Note 14)	4,685	(14,099)	(9,414)
55,899	(55,720)	179	(Surplus) or Deficit on the Provision of Services	58,181	(53,205)	4,976
		(482)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(595)
		706	(Surplus)/Deficit on Revaluation of Available-for-Sale Financial Assets			0
		(7,781)	Remeasurement of the net defined benefit liability			(2,983)
		(7,557)	Other Comprehensive (Income) and Expenditure			(3,578)
		(7,378)	Total Comprehensive (Income) and Expenditure			1,398

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	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2017	13,404	2,317	15,721	(13,663)	2,058
Movement in Reserves during 2017/18					
Total Comprehensive Income and Expenditure during 2017/18	(179)	0	(179)	7,557	7,378
Adjustments between accounting basis and funding basis under regulations (Note 10)	2,325	885	3,210	(3,210)	0
Increase/(Decrease) in 2017/18	2,146	885	3,031	4,347	7,378
Balance as at 31 March 2018 carried forward	15,550	3,202	18,752	(9,316)	9,436
Movement in Reserves during 2018/19					
Total Comprehensive Income and Expenditure 2018/19	(4,976)	0	(4,976)	3,578	(1,398)
IFRS 9 Transition	(401)	0	(401)	1,255	854
Adjustments between accounting basis and funding basis under regulations (Note 10)	5,847	(286)	5,561	(5,561)	0
Increase/(Decrease) in 2018/19	470	(286)	184	(728)	(544)
Balance as at 31 March 2019 carried forward	16,020	2,916	18,936	(10,044)	8,892

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".

RESTATED

31 March 2018 £'000		Notes	31 March 2019 £'000
	Property, Plant & Equipment	15	
39,260	Other Land and Buildings		37,246
83	Vehicles, Plant, Furniture and Equipment		63
2,166	Infrastructure		1,244
488	Community Assets		594
3,100	Surplus Assets	40	3,930
582	Heritage Assets	17	582
<u>45,679</u>			<u>43,659</u>
12,320	Long-term Investments	18	6,432
207	Long-term Debtors	18	57
<u>58,206</u>	Long-term Assets		<u>50,148</u>
27,142	Short-term Investments	18	30,145
1,150	Assets held for sale	21	1,210
2,696	Short-term Debtors	19	2,125
5,861	Cash and Cash Equivalents	20	6,118
<u>36,849</u>	Current Assets		<u>39,598</u>
(459)	Short-term Borrowing	38	(372)
(9,043)	Short-term Creditors	22	(11,617)
(2,882)	Provisions	23	(3,635)
<u>(12,384)</u>	Current Liabilities		<u>(15,624)</u>
(27,896)	Long-term Borrowing	18	(21,086)
(45,270)	Pensions Liability	36	(44,087)
(69)	Other Long-term Liability		(57)
<u>(73,235)</u>	Long-term Liabilities		<u>(65,230)</u>
<u>9,436</u>	Net Assets/(Liabilities)		<u>8,892</u>
	Usable Reserves	24	
15,550	General Fund		2,696
3,202	Earmarked Reserves	11	13,324
<u>18,752</u>	Capital Receipts Reserve		2,916
	Unusable Reserves	25	
28,327	Revaluation Reserve		28,294
1,310	Available-for-Sale Financial Instruments Reserve		0
0	Pooled Funds Adjustment Account		1,820
(45,270)	Pensions Reserve		(44,087)
10,645	Capital Adjustment Account		8,799
(4,311)	Financial Instruments Adjustment Account		(4,983)
92	Collection Fund Adjustment Account		213
(109)	Accumulated Absences Account		(100)
<u>(9,316)</u>			<u>(10,044)</u>
<u>9,436</u>	Total Reserves/(Deficit)		<u>8,892</u>

The unaudited accounts were issued on 31st May 2019 and the audited accounts were authorised for issue on 16th December 2019.

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.

2017/18		2018/19
Restated		£'000
£'000		£'000
(179)	Net Surplus or (Deficit) on the Provision of Services	(4,976)
4,910	Adjustments to Net Surplus or Deficit on Provision of Services for non-cash movements (Note 26)	8,991
(1,012)	Adjustments for items included in Net Surplus or Deficit on Provision of Services that are investing and financing activities (Note 26)	(567)
3,719	Net Cash Flows from Operating Activities	3,448
(11,053)	Investing Activities (Note 27)	3,446
735	Financing Activities (Note 28)	(6,637)
(6,599)	Net Increase or (Decrease) in Cash	257
12,460	Cash and Cash Equivalents at the beginning of the reporting period	5,861
<u>5,861</u>	Cash and Cash Equivalents at the end of the reporting period (Note 20)	<u>6,118</u>

The cashflow has been restated as set out in note 27.

The accompanying notes form part of these financial statements

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts 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 2018/19 supported by the International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term investments held for cash flow purposes that are readily convertible to known amounts of cash with insignificant risk of change in value.

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; and
- 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 benefit 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;
 - unitised securities - current bid price; and
 - property - market value.

NOTES TO THE ACCOUNTS

- 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; and
 - *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 Pension 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; and
- 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; and
- 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. The council has a de-minimis capitalisation value of £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- 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. Where a valuation is completed it is as at 1 April of the relevant financial year.

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; and
- 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; and
- 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 31.3.19) 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; or

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:

Amendments to IAS40 Investment Property: Transfers of Investment Property

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

(ii) Consideration has been given to the relationship with all potential entities and the related party transactions are shown within Note 33 to the Core Financial Statements. There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts. This position is reviewed and updated on an annual basis.

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

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

The items in the Council's Balance Sheet at 31 March 2019 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 means that the useful lives assigned to assets may be less if there is insufficient funds to maintain the level of maintenance.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. There would be an increased charge to cost of services for depreciation.
Property, Plant and Equipment	Assets are re-valued by an external valuer on a periodic basis. The result of these valuations can see the value of the Council's assets increase or decrease depending on a number of factors such as current market conditions.	The Council will need to show a loss or gain on disposal of an asset if the carrying value is different to the receipt obtained at the time of the sale.
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 ratepayers who have successfully appealed against the rateable value of their property on the rating list. Making a reliable assumption on the level of successful appeals is difficult. Due to Local Government Reorganisation there has been a loss of knowledge relating to the judgements and estimates in relation to the March 2019 provision. Management will be taking a detailed review of the provision in relation to March 2020.	Failure to accurately predict the level of refunds will have an impact on the general fund and other preceptors.
Distribution of Collection Fund Balances	<p>The distribution of the balance relating to Council Tax on the Collection Fund is estimated based on the relative precepts of the authorities paid from the fund.</p> <p>The distribution of the balance relating to National Non Domestic Rates on the Collection Fund is calculated according to income sharing percentages set by the Government under the Business Rate Retention Scheme.</p>	Any distribution of the balances held on the Collection Fund will impact directly on the Council's General Fund balances. Any deficit for example, will need to be made good in future periods.

NOTES TO THE ACCOUNTS

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured and are set out in an sensitivity analysis in the IAS19 report from the Actuary. However, the assumptions interact in complex ways.
Housing Benefits	Housing Benefit Subsidy income has been estimated on the basis of an unaudited draft final claim. The audit may reveal errors in the compilation of the claim which could result in the subsidy being materially increased or reduced. The subsidy claim is complex and errors in individual cells could have a significant impact on the overall claim.	The Council has not set aside an amount from reserves to mitigate the impact of any adverse changes in subsidy income as a result of the audit and any changes will be adjusted in future years using reserves.
Income	The Council relies heavily on fees and charges to balance its budget.	A reduction in income of £20,994.70 is the equivalent of a £1 increase in Council Tax for a Band D property.
Debtors	At 31 March 2019, the Council's outstanding balance for sundry debtors was £1,956,078. A provision for impairment has been made based on the number of days an invoice has been outstanding. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, there would be a greater charge to the Comprehensive Income and Expenditure Statement for uncollected debts.

NOTES TO THE ACCOUNTS

5. ITEMS OF INCOME AND EXPENSE

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

The Council received £203,495 (£352,778 in 2017/18) 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 Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection.

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for Weymouth & Portland Borough Council equates to a potential increase in liabilities of approximately £1.024 million as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for Weymouth & Portland Borough Council as at 31 March 2019 to be 0.4% of total liabilities. This equates to a potential increase in liabilities of approximately £0.529 million.

Weymouth & Portland Borough Council has adjusted its accounts by the amount estimated using the GAD methodology of £1.024 million.

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

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

NOTES TO THE ACCOUNTS

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19

	Adjustment for Capital Purposes (Note a) £'000	Net change for the pension adjustment (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Financial Services	0	(68)	0	(68)
Revenues and Benefits	0	(98)	0	(98)
Business Improvement	0	(76)	0	(76)
Community Protection	(116)	(137)	0	(253)
Housing	0	(44)	0	(44)
Planning Development Management & Building Control	0	(29)	0	(29)
Community & Policy Development	0	(52)	0	(52)
Economy, Leisure and Tourism	(2,413)	(42)	0	(2,455)
Assets and Infrastructure	(613)	(65)	0	(678)
Democratic Services and Elections	0	(14)	0	(14)
Human Resources and Organisational Development	0	(17)	0	(17)
Legal Services	0	(22)	0	(22)
	(3,142)	(664)	0	(3,806)
Other income and expenditure	383	(1,136)	(1,288)	(2,041)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	(2,759)	(1,800)	(1,288)	(5,847)

NOTES TO THE ACCOUNTS

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

	Adjustment for Capital Purposes (Note a) £'000	Net change for the pension adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Financial Services	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)

(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 2017/18 £'000	Income from Services 2018/19 £'000
Car Parking	(3,113)	(3,374)
Weymouth Harbour	(1,166)	(1,136)
Licencing	(235)	(229)
Cemeteries and Crematorium	(1,113)	(1,228)
Leisure and Tourism	(217)	(1,119)
Planning Development Management & Building Control	(506)	(533)
Housing	(935)	(1,490)
Property Rents and Licences	(1,297)	(1,338)
Housing Benefits	(27,831)	(24,484)
Land Charges	(119)	(166)
Return on Investments	(1,250)	(759)
Sale of assets	(997)	(414)
Other Income	(446)	(409)
	<u>(39,225)</u>	<u>(36,679)</u>

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	9,348	9,762
Other services expenses	44,991	46,110
Support Services recharges	0	0
Depreciation, amortisation and impairment	978	1,296
Interest Payments	1,236	1,237
Precepts and levies	76	80
Gain on disposal of assets	(730)	(304)
Total Expenditure	<u>55,899</u>	<u>58,181</u>
Income		
Fees and Charges	(18,351)	(18,481)
Interest and Investment Income	(1,251)	(1,493)
Income from council tax and non- domestic rates	(8,287)	(8,564)
Government Grants and Contributions	(27,831)	(24,667)
Total Income	<u>(55,720)</u>	<u>(53,205)</u>
Surplus or deficit on the provision of services	<u>179</u>	<u>4,976</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
2018/19		
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pensions costs (transferred to (or from) the Pensions Reserve)	1,800	0
Financial Instruments transfer to Financial Instruments Adjustment Account	1,418	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(121)	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(9)	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,406	0
Total Adjustments to Revenue Resources	6,494	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(413)	413
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)	(80)	0
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	0	0
Total Adjustments between Revenue and Capital Resources	(493)	413
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital Expenditure	0	(699)
Application of capital grants to finance capital expenditure	(154)	0
Total Adjustments to Capital Resources	(154)	(699)
TOTAL ADJUSTMENTS	5,847	(286)

NOTES TO THE ACCOUNTS

Usable Reserves

	General Fund Balance £'000	Capital Receipts Reserve £'000
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Comparative 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	0
Financial Instruments (Financial Instruments Adjustment Account)	(109)	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	222	0
Holiday pay (transferred to the Accumulated Absences Reserve)	5	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)	1,101	0
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	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(77)	0
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(132)	0
Total Adjustments between Revenue and Capital Resources	(939)	997

	£'000	£'000
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Adjustments to Capital Resources

Use of the Capital Receipts Reserve to finance capital Expenditure	0	(112)
Application of capital grants to finance capital expenditure	(15)	0
Total Adjustments to Capital Resources	(15)	(112)
TOTAL ADJUSTMENTS	2,325	885

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 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
Partnership Reserve	(460)	0	0	(460)	0	0	(460)
Superfast Broadband	(8)	0	0	(8)	0	0	(8)
Treasury Management	(962)	512	(652)	(1,102)	226	(1,254)	(2,130)
Legal	(151)	20	0	(131)	0	0	(131)
Property Maintenance	(246)	10	0	(236)	0	0	(236)
Housing	(265)	167	(323)	(421)	238	(190)	(373)
Invest to Save	(792)	56	0	(736)	9	0	(727)
Business Rate Retention Accounting	(892)	0	(410)	(1,302)	0	(34)	(1,336)
Grants Received	(433)	294	(602)	(741)	522	(494)	(713)
IT Systems & Equipment	(526)	0	0	(526)	0	0	(526)
Vehicles Replacement	(153)	0	0	(153)	0	0	(153)
Restructuring Reserve	(350)	0	0	(350)	0	0	(350)
Development Services Improvement Plan	(43)	0	0	(43)	0	0	(43)
Direct Leasing	(144)	0	(32)	(176)	46	(7)	(137)
Local Plan	(175)	0	0	(175)	0	0	(175)
CCTV	(109)	0	0	(109)	0	0	(109)
Harbour	(909)	109	(307)	(1,107)	126	(303)	(1,284)
Harbour Wall	(535)	0	0	(535)	0	0	(535)
Borough Development	(1,213)	1,026	(95)	(282)	105	0	(177)
Cemetery Reserve	(35)	0	(7)	(42)	0	(5)	(47)
Community Housing Fund	(430)	4	0	(426)	28	0	(398)
Pleasure Pier	(27)	0	0	(27)	0	(20)	(47)
Available for Once Off Projects	0	798	(3,745)	(2,947)	399	(246)	(2,794)
CIL Reserve	0	0	(123)	(123)	124	(436)	(435)
TOTAL	(8,858)	2,996	(6,296)	(12,158)	1,823	(2,989)	(13,324)

12. OTHER OPERATING EXPENDITURE

	2017/18 £'000	2018/19 £'000
Parish council precepts	76	81
(Gains) on disposal of non-current assets	(730)	(304)
TOTAL	(654)	(223)

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £'000	2018/19 £'000
Interest payable and similar charges	1,236	3,530
Net Pension Interest Costs (Note 36)	1,276	1,136
Interest receivable and similar income	(1,160)	(2,013)
TOTAL	1,352	2,653

NOTES TO THE ACCOUNTS

14. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18	2018/19
	£'000	£'000
Council tax income	(6,191)	(6,401)
Non-domestic rates income and expenditure	(1,880)	(2,162)
Non-ring-fenced government grants	(1,264)	(604)
Capital grants and contributions	(15)	(154)
Collection fund surplus	(216)	(93)
TOTAL	(9,566)	(9,414)

15. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2018/19

	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 2018	74,841	7,864	5,376	805	3,100	91,986
Additions	512	0	0	0	0	512
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(448)	0	(45)	119	830	456
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,146)	0	(756)	0	0	(1,902)
Derecognition on disposals	0	0	0	(10)	0	(10)
Reclassification Available for Sale (Note 21)	(122)	0	0	0	0	(122)
At 31 March 2019	73,637	7,864	4,575	914	3,930	90,920
Accumulated Depreciation and Impairment						
At 1 April 2018	(35,581)	(7,781)	(3,210)	(317)	0	(46,889)
Depreciation charge	(810)	(20)	(121)	(3)	0	(954)
At 31 March 2019	(36,391)	(7,801)	(3,331)	(320)	0	(47,843)
Net Book Value						
At 31 March 2019	37,246	63	1,244	594	3,930	43,077
At 31 March 2018	39,260	83	2,166	488	3,100	45,097

NOTES TO THE ACCOUNTS

Comparative Movements in 2017/18

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
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	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

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; and
- Infrastructure assets - 20 years.

Capital Commitments

As at 31 March 2019 the Council had capital contracts in respect of Weymouth Pleasure Pier, Strengthening of Weymouth Harbour Walls, Weymouth Beach Management Plan and Condition survey of Weymouth Harbour Wall. The value of the contractual commitment is £704,239.

Effect of Changes in Estimates

In 2018/19 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 2018/19 the assets revalued included Crookhill Depot, Nothe Fort, various parks, gardens and leisure facilities including Weymouth Beach, and surplus assets including the former Council Offices at North Quay as well as surplus land. In the year of valuation the asset is valued as at 1st April.

The valuations were carried out by GVA Grimley Ltd, an external valuer. During 2018/19 they were acquired by Avison Young Ltd who took over the valuation contract.

	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 2019	5,008	0	5,008
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
Total Cost or Valuation	<u>73,637</u>	<u>7,738</u>	<u>81,375</u>

16. IMPAIRMENT LOSSES

An impairment review was carried out by G. Northcote, RICS, Estates Manager. All assets were reviewed for impairment as at 31 March 2019. Whilst there were no physical impairments identified, a general review of the fair value of other assets identified a change in value for economic reasons of some assets and these change in values has been included in the balance sheet. A full valuation of these assets will be carried out in 2019/20

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 horseback 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
01-Apr-17	170	216	182	11	3	582
In Year changes	0	0	0	0	0	0
31-Mar-18	170	216	182	11	3	582
Cost or Valuation						
01-Apr-18	170	216	182	11	3	582
In Year changes	0	0	0	0	0	0
31-Mar-19	170	216	182	11	3	582

18. FINANCIAL INSTRUMENTS**Categories of Financial Instruments****(a) Financial Instruments - Classifications**

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

Financial Liabilities

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

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

- long-term loans from commercial lenders;
- overdraft with HSBC Bank;
- lease payables detailed in note 35; and
- trade payables for goods and services received.

Financial Assets

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

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

NOTES TO THE ACCOUNTS

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

(b) Financial Instruments - Balances

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

	Long Term		Short Term	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	£000s	£000s	£000s	£000s
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	21,000	27,000		
- Accrued interest			372	459
- EIR adjustments	86	896		
At fair value through profit & loss:				
- Fair value				
Total Borrowing *	21,086	27,896	372	459
Loans at amortised cost:				
- Bank overdraft			99	129
Total Cash Overdrawn			99	129
Liabilities at amortised cost:				
- Finance leases				
- PFI arrangements				
Total Other Long-term Liabilities	0	0	-	-
Liabilities at amortised cost:				
- Trade and other payables			1,941	1,013
- Finance leases				
- PFI arrangements				
Included in Creditors **	0	0	1,941	1,013
Total Financial Liabilities	21,086	27,896	2,412	1,601

* The short-term borrowing representing accrued interest on long-term borrowing.

** The creditors lines on the Balance Sheet include £9,676k (2017/18: £8,030k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

NOTES TO THE ACCOUNTS

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

Financial Assets	Long Term		Short Term	
	31.3.2019 £000s	31.3.2018 £000s	31.3.2019 £000s	31.3.2018 £000s
<i>At amortised cost:</i>				
- Principal	0	0	6,504	0
- Accrued interest				
- Loss allowance			(1)	
<i>Available-for-sale</i>				
- Principal at amortised cost		11,152		27,000
- Accrued interest				
- Loss allowance				
- Fair value adjustment		1,168		142
- Equity investments elected FVOCI				
<i>At fair value through profit & loss:</i>				
- Fair value	6,432		23,642	
Total Investments	6,432	12,320	30,145	27,142
<i>At amortised cost:</i>				
- Principal			799	2,361
- Accrued interest				
- Loss allowance			0	
<i>Available-for-sale</i>				
- Principal at amortised cost				3,500
<i>At fair value through profit & loss:</i>				
- Fair value			5,319	
Total Cash and Cash Equivalents			6,118	5,861
<i>At amortised cost:</i>				
- Trade receivables	57	207	1,956	1,052
- Lease receivables	0	0	0	0
- Loans made for service purposes				
- Accrued interest				
- Loss allowance	0	0	(431)	(295)
<i>At fair value through profit & loss:</i>				
- Fair value				
Included in Debtors **	57	207	1,525	757
Total Financial Assets	6,489	12,527	37,788	33,760

** The debtors lines on the Balance Sheet include £600k (2018: £1,939k) short-term and £nil (2018: £nil) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

NOTES TO THE ACCOUNTS

(c) Financial Instruments - Gains and Losses

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

	Financial Liabilities		Financial Assets				2018/19 Total £'000	2017/18 Total £'000
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through OCI £'000	Elected to Fair Value through OCI £'000	Fair Value through Profit & Loss £'000		
Interest expense	1,157						1,157	1,236
Losses on de-recognition	1,975					171	2,146	
Losses from changes in fair value						226	226	
Impairment losses			0				0	
Fees paid							0	
Interest payable and similar charges	3,132	0	0	0	0	397	3,529	1,236
Interest income			(91)				(91)	(62)
Dividend income						(1,555)	(1,555)	(1,097)
Gains on de-recognition						(20)	(20)	
Gains from changes in fair value						(404)	(404)	
Impairment loss reversals			(2)				(2)	
Interest and investment income	0	0	(93)	0	0	(1,979)	(2,072)	(1,159)
Net impact on surplus/deficit on provision of services	3,132	0	(93)	0	0	(1,582)	1,457	77
Gains on revaluation							0	(284)
Losses on revaluation							0	990
Amounts recycled to surplus/deficit on provision of services							0	
Impact on other comprehensive income	0	-	0	0	0	0	0	706
Net Gain/(Loss) for the Year	3,132	0	(93)	0	0	(1,582)	1,457	783

The £1.975m loss on derecognition of financial liabilities relates to a premium on early repayment of a £6m long-term loan where future interest savings are expected to outweigh the premium.

NOTES TO THE ACCOUNTS

(d) Financial Instruments - Fair Values

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

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

NOTES TO THE ACCOUNTS

	Fair Value Level	Balance Sheet 31.3.2019		Balance Sheet 31.3.2018	
		£000s	Fair Value £000s	£000s	Fair Value £000s
<i>Financial liabilities held at fair value:</i>					
Forward contracts in counterparty's favour	2				
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2				
Long-term LOBO loans	2	11,247	21,457	17,941	32,996
Other long-term loans	2	10,211	18,166	10,414	18,858
Bonds issued	1				
Lease payables and PFI liabilities	2				
<i>Other liabilities:</i>					
Loan commitments	3				
Guarantees issued	3				
TOTAL		21,458	39,623	28,355	51,854
Liabilities for which fair value is not disclosed *		2,040		1,142	
TOTAL FINANCIAL LIABILITIES		23,498		29,497	
<i>Recorded on balance sheet as:</i>					
Bank overdraft		99		129	
Short-term creditors		1,941		1,013	
Short-term borrowing		372		459	
Long-term borrowing		21,086		27,896	
TOTAL FINANCIAL LIABILITIES		23,498		29,497	

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

NOTES TO THE ACCOUNTS

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's loans have interest rates payable that are higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	Balance Sheet		Balance Sheet	
		31.3.2019 £000s	Fair Value 31.3.2019 £000s	31.3.2018 £000s	Fair Value 31.3.2018 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	5,319		3,500	
Bond, equity and property funds	1	29,828		33,406	
Covered bonds	1			6,056	
Structured loans and deposits	2				
Shares in listed companies	1				
Shares in unlisted companies	3				
Forward contracts in the Council's favour	2				
<i>Financial assets held at amortised cost:</i>					
Covered bonds	1	2,003	2,007		
Long-term bank deposits & repos	2				
Long-term loans to local authorities	2				
Long-term loans to companies	3				
Long-term debtors	3	57	57	207	207
TOTAL		37,207	37,211	43,169	43,169
Assets for which fair value is not disclosed *		7,070		3,118	
TOTAL FINANCIAL ASSETS		44,277		46,287	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		57		207	
Long-term investments		6,432		12,320	
Short-term debtors		1,525		757	
Short-term investments		30,145		27,142	
Cash and cash equivalents		6,118		5,861	
TOTAL FINANCIAL ASSETS		44,277		46,287	

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

(e) Financial Instruments - Risks

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

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

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

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

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

A limit of £3m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £1.5m applies. The Council also sets limits on investments in certain sectors. No more than £50m can be invested for a period longer than one year.

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

NOTES TO THE ACCOUNTS

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

Credit Rating	31.3.2019		31.3.2018	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA		2,003	6,056	
AA+				
AA		4,500		1,506
AA-		922		855
A+				
A				
A-				
BBB+				
Unrated local authorities				
Unrated building societies				
Unrated housing associations				
Total	0	7,425	6,056	2,361
Credit risk not applicable *	6,432	28,785	6,264	30,642
Total Investments including cash equivalents	6,432	36,210	12,320	33,003

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2019, £1,000 (2018: £nil) of loss allowances related to treasury investments.

Credit Risk: Trade and Lease Receivables and Contract Assets

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

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

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

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

NOTES TO THE ACCOUNTS

Impairment Provision	2018/19	2017/18
	£'000	£'000
Property and Estates	45	45
Legal	12	12
Development Control	8	8
Community Protection	15	15
Harbour	34	20
Non HRA Housing	466	345
	580	445

Receivables are written off to the Surplus or Deficit on the Provision of Services when the legal recovery process has been exhausted.

Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2019			31.3.2018		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000s	£000s	£000s	£000s	£000s	£000s
Not over 1	2,412	(14,392)	(11,980)	1,602	(10,671)	(9,069)
Over 1 but not over 2		(57)	(57)		(2,210)	(2,210)
Over 2 but not over 5		0	0		0	0
Over 5 but not over 10		0	0		0	0
Over 10 but not over 20		0	0		0	0
Over 20 but not over 40		0	0		0	0
Over 40	10,030	0	10,030	10,234	0	10,234
Uncertain date *	11,056	(29,828)	(18,772)	17,662	(33,406)	(15,744)
Total	23,498	(44,277)	(20,779)	29,498	(46,287)	(16,790)

* The Council has £11m (2018: £18m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain. The Council also invests in pooled funds which have no defined maturity date.

NOTES TO THE ACCOUNTS

Market Risks: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £21m (2018: £28m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £16m (2018: £15m) to variable rates.

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

	31.3.2019 £000s	31.3.2018 £000s
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(126)	(80)
Decrease in fair value of investments held at FVPL	293	0
Decrease in fair value of derivative financial instruments held at FVPL		
Impact on Surplus or Deficit on the Provision of Services	167	(80)
Decrease in fair value of available for sale investments	0	401
Impact on Comprehensive Income and Expenditure	167	320
Decrease in fair value of loans and investments at amortised cost *	1	0
Decrease in fair value of fixed rate borrowing *	(8,332)	(10,832)

*No impact on Comprehensive Income and Expenditure.

NOTES TO THE ACCOUNTS

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has £11m (2018: £17m) of “Lender’s option, borrower’s option” (LOBO) loans with maturity dates between 2066 and 2077 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

Market Risks: Price Risk

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

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £6m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.331m (2018: £0.313m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council’s investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council’s maximum exposure to equity investments of £3m per fund. A 5% fall in share prices at 31st March 2019 would result in a £0.524m (2018: £0.611m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

NOTES TO THE ACCOUNTS

Transition to IFRS 9 Financial Instruments

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

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

	IAS 39 31.3.18	Reclassi- fication	Remeasu- rement	Impair-ment	IFRS 9 1.4.18
FINANCIAL ASSETS					
Investments					
L&R /Amortised cost	0	6,056	96	(2)	6,150
Available for sale / FVOCI	39,462	(39,462)			0
FVPL	0	33,406			33,406
Total investments	39,462	0	96	(2)	39,556
Debtors					
L&R /Amortised cost	757			0	757
Available for sale / FVOCI					0
FVPL					0
Total debtors	757	0	0	0	757
Cash & cash equivalents					
L&R /Amortised cost	2,361			0	2,361
Available for sale / FVOCI	3,500	(3,500)			0
FVPL	0	3,500			3,500
Total cash & equivalents	5,861	0	0	0	5,861
TOTAL FINANCIAL ASSETS	46,080	0	96	(2)	46,174
FINANCIAL LIABILITIES					
Borrowing					
Amortised cost	-28,354		759		(27,595)
Creditors					
Amortised cost	-1,013				(1,013)
TOTAL FINANCIAL LIABILITIES	(29,367)	0	759	0	(28,608)
NET FINANCIAL ASSETS	16,713	0	855	(2)	17,566

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

	IAS 39 31.3.18	Reclassi- fication	Remeasu- rement	Impair-ment	IFRS 9 1.4.18
RESERVES					
Usable Reserves					
General Fund	15,550	(96)	(304)	(2)	15,148
Housing Revenue Account					0
Other usable reserves	3,202				3,202
Total usable reserves	18,752	(96)	(304)	(2)	18,350
Unusable Reserves					
Available for sale reserve	1,310	(1,310)			0
Capital adjustment account	10,645	0			10,645
Deferred capital receipts	0			0	0
FI adjustment account	(4,311)		1,159		(3,152)
Pooled fund adjustment a/c	0	1,406			1,406
Other unusable reserves	(16,960)				(16,960)
Total unusable reserves	(9,316)	96	1,159	0	(8,061)
TOTAL RESERVES	9,436	0	855	(2)	10,289

FI: Financial instruments

The Council's £3.887m provision for doubtful debtors calculated under IAS 39 as at 31st March 2018 has been supplemented by the £0.002m entry shown in the above tables to give a total impairment loss allowance of £3.889m under IFRS 9 as at 1st April 2018.

NOTES TO THE ACCOUNTS

19. DEBTORS

	Restated	
	2017/18	2018/19
	£'000	£'000
Trade Receivables	1,052	1,956
Prepayments	133	62
Debtors for Local Taxation - Council Tax	617	674
Debtors for Local Taxation - NNDR	986	470
Debtors for Costs Associated with Council Tax and NNDR	472	511
Housing Benefit Overpayments	1,941	1,725
Other receivable amounts	1,337	660
Sub-Total	6,538	6,058
Provision for Impairment		
Trade Receivables	(295)	(431)
Debtors for Local Taxation - Council Tax	(532)	(648)
Debtors for Local Taxation - NNDR	(605)	(595)
Debtors for Costs Associated with Council Tax and NNDR	(404)	(404)
Housing Benefit Overpayments	(1,852)	(1,701)
Other receivable amounts	(154)	(154)
Sub-Total	(3,842)	(3,933)
	2,696	2,125

20. CASH AND CASH EQUIVALENTS

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

	2017/18	2018/19
	£'000	£'000
Cash held by the Authority	3	1
Bank Current Accounts	981	892
Money Market Funds	3,500	5,318
Call Accounts	1,506	6
Less Bank Overdraft	(129)	(99)
Total Cash and Cash Equivalents Balance	5,861	6,118

NOTES TO THE ACCOUNTS

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".

	2017/18	2018/19
	£'000	£'000
Balance as at 1st April	4,897	1,150
Re-classification from Property, Plant and Equipment	0	122
New Acquisitions	0	0
De-recognition of asset disposed of	(139)	(100)
Revaluation losses	(508)	38
Re-classification from Assets Held for Sale to Surplus Assets	(3,100)	0
	1,150	1,210
	1,150	1,210

Fair Value Hierarchy

2018/19	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 2019 £'000
Miscellaneous Land	0	0	1,210	1,210
	0	0	1,210	1,210
	0	0	1,210	1,210

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.

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.

NOTES TO THE ACCOUNTS

22. CREDITORS

	Restated	
	31 March	31 March
	2018	2019
	£'000	£'000
Trade Payables	(1,013)	(1,329)
Other Payables	(8,030)	(10,288)
Balance outstanding at year-end	<u>(9,043)</u>	<u>(11,617)</u>

23. PROVISIONS

	NDR Appeals	Hotels and Guest Houses £'000	Staff Exit Costs £'000	Total £'000
2017/18				
Balance as at 1st April 2017	2,073	45	32	2,150
Use of provision	-305	0	(32)	(337)
Additional provision made during 2017/18	965	0	104	1,069
Balance as at 31st March 2018	<u>2733</u>	<u>45</u>	<u>104</u>	<u>2,882</u>

	LOBO Objection Costs £'000	NDR Appeals £'000	Hotels and Guest Houses £'000	Staff Exit Costs £'000	Total £'000
2018/19					
Balance as at 1st April 2018	0	2,733	45	104	2,882
Use of provision	0	-126	(45)	(104)	(275)
Additional provision made during 2018/19	10	1,018	0	0	1,028
Balance as at 31st March 2019	<u>10</u>	<u>3,625</u>	<u>0</u>	<u>0</u>	<u>3,635</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 expenditure by the authorities, but would have been transferred to the Department for Communities and Local Government (DCLG).

The timing in relation to cash outflows in relation to this provision are uncertain.

LOBO Objection Costs

A taxpayer made an objection to the Auditor in 2016/17 in respect of value for money of financial instruments called Lenders Option, Borrowers Option (LOBO). The estimated cost was accrued in 2017/18 statement of accounts. The auditor has yet to issue an opinion. Therefore a provision has been made because the Council is certain there will be a charge but uncertain how much it will be or when it will be paid.

24. USABLE RESERVES

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

NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES

	31 March 2018	31 March 2019
	£'000	£'000
Revaluation Reserve	28,327	28,294
Available-for-Sale Financial Instruments Reserve	1,310	0
Pooled Funds Adjustment Account	0	1,820
Capital Adjustment Account	10,645	8,799
Financial Instruments Adjustment Account	(4,311)	(4,983)
Pooled Funds Adjustment Account	0	0
Pensions Reserve	(45,270)	(44,087)
Collection Fund Adjustment Account	92	213
Accumulated Absences Account	(109)	(100)
Total Unusable Reserves	(9,316)	(10,044)

Revaluation Reserve

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

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

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

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		28,534		28,327
Upward revaluation of assets	2,365		4,866	
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,883)		(4,271)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		482		595
Difference between fair value depreciation and historical cost depreciation	(612)		(628)	
Accumulated gains on assets sold or scrapped	(77)		0	
Amount written off to the Capital Adjustment Account		(689)		(628)
Balance at 31 March		28,327		28,294

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		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,016		1,310
Upward revaluation of investments	(990)			
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	284		0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(706)		0
IFRS 9 Transition transfer to Pooled Fund Adjustment Account		0		(1,310)
Balance at 31 March		<u>1,310</u>		<u>0</u>

Pooled Funds Adjustment Account

	2017/18		2018/19	
	£'000		£'000	
Balance at 1 April	0		0	
IFRS 9 Transition transfer from Available for Sale Reserve	0		1,310	
IFRS 9 Transition adjustments	0		97	
Revaluations	0		413	
Balance at 31 March	<u>0</u>		<u>1,820</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.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		10,986		10,645
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)		(954)	
Revenue expenditure funded from capital under statute. Note 34	<u>(122)</u>		<u>(342)</u>	
		(1,101)		(1,296)
Revaluation losses on Property, Plant and Equipment	0		(2,001)	
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>(110)</u>	
		<u>(190)</u>		<u>(2,111)</u>
		(1,291)		(3,407)
Adjusting amounts written out of the Revaluation Reserve		612		628
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		699	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	16		154	
Statutory provision for the financing of capital investment charged against General Fund	77		80	
Capital expenditure charged against the General Fund balance	<u>133</u>		<u>0</u>	
		338		933
Balance at 31 March		<u>10,645</u>		<u>8,799</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.

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	(4,421)	(4,311)
Release of deferred premia	124	124
Income from Soft Loans	31	31
Impairment of soft loans	(45)	(3)
IFRS 9 Transition	0	(824)
Balance at 31 March	<u>(4,311)</u>	<u>(4,983)</u>

Pensions Reserve

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

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	(50,989)	(45,270)
Remeasurement of the net defined benefit liability/(asset)	7,781	2,983
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)	(3,476)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,645	1,676
Balance at 31 March	<u>(45,270)</u>	<u>(44,087)</u>

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	2018/19
	£'000	£'000
Balance at 1 April	314	92
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)	(193)
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	314
Balance at 31 March	<u>92</u>	<u>213</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		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		(104)		(109)
Settlement or cancellation of accrual made at the end of the preceding year	104		109	
Amounts accrued at the end of the current year	<u>(109)</u>		<u>(100)</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)		9
Balance at 31 March		<u>(109)</u>		<u>(100)</u>

NOTES TO THE ACCOUNTS

26. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18	2018/19
	£'000	£'000
Interest received	981	1,812
Interest paid	(1,233)	(101)
Total	<u>(252)</u>	<u>1,711</u>

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

	2017/18	2018/19
	£'000	£'000
Depreciation	979	954
Impairment and downward valuations	0	2,001
Increase/(Decrease) in Creditors	1,306	1,178
(Increase)/Decrease in Debtors	(434)	721
Movement in Pension Liability	2,060	1,800
Carrying amount of Non-current Assets sold or derecognised	267	448
Other non-cash items charged to the net surplus or deficit on the provision of services	732	1,889
	<u>4,910</u>	<u>8,991</u>

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

	2017/18	2018/19
	Restated £'000	£'000
Proceeds from the sale of Non-current Assets	(997)	(413)
Capital Grants relating to Non-current Assets	(15)	(154)
	<u>(1,012)</u>	<u>(567)</u>

27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18	2018/19
	Restated £'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(137)	(512)
Purchase of Short Term and Long Term Investments	(15,000)	(3,876)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	997	413
Proceeds from Short Term and Long Term Investments	3,000	7,271
Other Receipts from Investing Activities	87	150
Net Cash Flows from Investing Activities	<u>(11,053)</u>	<u>3,446</u>

The prior year has been restated in order to classify disposal proceeds relation to the disposal of investments as investing cashflows.

28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18	2018/19
	£'000	£'000
Repayments of Short Term and Long Term Borrowing	0	(8,033)
Other payments for financing activities	735	1,396
Net Cash Flows from Financing Activities	<u>735</u>	<u>(6,637)</u>

29. MEMBERS' ALLOWANCES

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

	2017/18	2018/19
Allowances	259,087	269,066
Expenses	4,493	4,141
Total	<u>263,580</u>	<u>273,207</u>

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.

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

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

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

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

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

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	2018/19
Between £50,000 and £54,999	2	1
Between £55,000 and £59,999	3	1
Between £60,000 and £64,999	2	3
Between £65,000 and £69,999	7	3
Between £70,000 and £74,999	0	6

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

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

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. For 2017/18 this work was carried out by KPMG and for 2018/19 by Deloitte.

	2017/18 £'000	2018/19 £'000
Fees payable to auditor with regard to external audit services carried out by the appointed auditor for the year	43	33
Fees payable to auditor for the certification of grant claims and returns	9	0
Fees payable in respect of other services provided by the external auditor	0	0
Total	52	33

32. GRANT INCOME

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

	2017/18 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	269	0
New Homes Bonus	966	566
New Burdens	24	0
Non ringfenced NDR grant	0	37
Tidal Defence	0	27
Local Housing Needs Scheme	0	50
Capital Coast Protection Schemes	15	77
Total	1,274	757
Credited to Services		
Cost of Collection Local Taxation	106	104
Housing Benefit Administration Grant	381	343
Discretionary Housing Payment	72	181
Homelessness	191	197
Flexible Homeless Grant	0	70
Coastal Revival Fund	0	96
Esplanade Shelters Grant	0	50
DWP Allowances	26,177	23,792
Custom Build Grant	0	30
Exit EU Grant	0	17
Other grants	10	114
Total	26,937	24,994

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 2019 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 2018/19 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 was a collaboration between Weymouth and Portland Borough Council, West Dorset District Council and North Dorset District Council. One body of staff provide services to all three Councils. The Chief Executive acts as Chief Executive for all three Councils as does the Senior Leadership team. The staff are employed by Weymouth and Portland BC. Each Council retains its sovereignty and costs are shared on a proportionate basis. DCP ceased to exist 31/3/19.

PSP 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 between PSP Weymouth LLP and Weymouth and Portland BC.

Weymouth Port Health Authority (WPHA)

WPHA levied the sum of £29,872 for 2018/19. (2017/18 £29,872). As at 31st March 2019 the balance sheet includes a debtor of £26,164 for WPHA compared to £24,332 as at 31st March 2018. Councillors P. Kimber, J Farquharson, K Baker, R Kosior, F Drake, R Nowak, S West, M Tewkesbury, O Kanji and C Page-Nash served on the WPHA during the year. J. Strange (Head of Financial Services) acted as Treasurer to WPHA. R Frost (Environmental Health Manager - Food and Port Health) acted as Chief Port Health Officer. Two Environmental Health Officers are employed by WPHA on a part-time basis with other standing in when required. WPHA becomes part of Dorset Council from 1st April 2019.

South West Audit Partnership (SWAP)

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

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.

NOTES TO THE ACCOUNTS

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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	2018/19
	£'000	£'000
Opening Capital Financing Requirement	8,358	8,281
Capital Investment		
Property, Plant & Equipment	138	512
PPE acquired under finance lease	0	0
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure funded from capital under statute	122	341
Sources of Finance		
Capital Receipts	(112)	(699)
Government Grants and other contributions	(15)	(127)
Direct Revenue Contributions	(133)	(27)
Minimum Revenue Provision	(77)	(80)
Closing Capital Financing Requirement	8,281	8,201
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 leases expire in March 2019 and are not being renewed. The commitment for 2019/20 is RPI due in May 2019 for the previous 12 months. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	59	3
Later than one year and not later than five years	0	0
Later than five years	0	0
	<u>59</u>	<u>3</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	2018/19 £'000
Minimum lease payments	84	3
Contingent rents	0	0
	<u>84</u>	<u>3</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 2019 £'000
Not later than one year	1,222	1,262
Later than one year and not later than five years	4,304	4,465
Later than five years	36,251	38,135
	<u>41,777</u>	<u>43,862</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	2018/19
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current Service cost	2,203	2,173
Past Service costs	169	100
Administration Expense	58	67
(gain)/loss from settlements	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,276	1,136
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	3,706	3,476
<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)	(1,661)
Other actuarial losses on assets	0	0
Actuarial gains and losses arising on change in demographic assumptions	0	(6,916)
Actuarial gains and losses arising on change in financial assumptions	(5,706)	4,570
Experience gain/(loss) on defined benefits obligation	0	0
<i>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>	(7,781)	(4,007)
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)	(3,476)
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme	1,646	1,676
<i>Actual amount charged against the General Fund Balance for pensions in the year: Employers' contribution payable to scheme</i>	(2,060)	(1,800)

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	2018/19
	£'000	£'000
Present Value of the defined benefit obligation	(125,889)	(125,500)
Fair Value of Plan Assets	84,734	86,220
Net Liability	(41,155)	(39,280)
Present Value of the unfunded obligation	(4,115)	(4,807)
Net Liability in Balance Sheet arising from defined benefit obligation	(45,270)	(44,087)

Reconciliation of the Movement in the Fair Value of Scheme Assets

	2017/18	2018/19
	£'000	£'000
Opening fair value of scheme assets	82,057	84,734
Interest income	2,048	2,132
Remeasurement gain/loss		
Return on plan assets, excluding the amount included in the net interest expense	2,075	1,661
Other actuarial gains and losses	0	0
Contributions from employers	1,646	1,676
Contributions from employees into the scheme	369	383
Administration Expenses	(59)	(67)
Estimated benefits paid plus unfunded net of transfers in	(3,402)	(4,299)
Settlement prices received	0	0
Closing balance at 31 March	84,734	86,220

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

	2017/18	2018/19
	£'000	£'000
Opening Balance 1st April	133,046	130,004
Current Service Costs	2,203	2,173
Interest cost	3,324	3,268
Contributions from scheme participants	369	383
Remeasurement (gains) and losses		
Actuarial gains/losses arising from changes in demographic assumptions	0	(6,916)
Actuarial gains/losses arising from changes in financial assumptions	(5,705)	4,570
Liabilities extinguished on settlements	0	0
Experience loss/(gain) on defined benefits obligations	0	0
Estimated benefits paid net of transfers in	(3,113)	(4,012)
Past Service Costs (including curtailments)	169	100
Unfunded pension payments	(289)	(287)
Closing balance at 31 March	130,004	129,283

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 2019 £'000	31 March 2019 %
Equity Investments	45,802	54	43,747	51
Cash	1,190	1	2,588	3
Other Bonds	5,939	7	6,114	7
Multi Asset Credit	3,987	5	4,085	5
Liability Driven Investment	11,094	13	11,186	12
Diversified Growth Fund	5,122	6	5,124	6
Property	8,541	10	9,411	11
Infrastructure	3,058	4	3,965	5
	<u>84,733</u>	<u>100</u>	<u>86,220</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.

Included in the Council's pension fund liabilities as at 31 March 2019 is an estimate of the additional cost due to the McCloud ruling. This relates to the Government's refusal of right to appeal against a landmark ruling by the Court of Appeal with regard to age discrimination against younger public sector workers by protecting the retirement benefits of older staff. While the case was brought by members of the judicial and firefighters pension schemes, it will have implications for the LGPS. The remedy that will be imposed by the Court is not yet known, but an estimate has been made using the Government Actuary Department methodology. The estimated additional liability is £1.024m.

The significant assumptions used by the actuary have been:

	2017/18	2018/19
Mortality assumptions:		
Life expectancy from 65 years retiring today		
Men	24.0	22.9
Women	26.1	24.8
Life expectancy from 65 years retiring in 20 years		
Men	26.2	24.6
Women	28.4	26.6
Rate of inflation - RPI	3.35%	3.4%
Rate of inflation - CPI	2.35%	2.4%
Rate of increase in salaries	3.85%	3.9%
Rate of increase in pensions	2.35%	2.4%
Rate for discounting scheme liabilities	2.55%	2.4%
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	129,283*	Decrease in Assumption by 0.1% £'000
Discount Rate			
Present value of total obligation	127,030	129,283*	131,576
Projected Service Costs	2,084	2,134	2,186
Long-Term Salary Increase			
Present value of total obligation	129,442	129,283	129,123
Projected Service Costs	2134	2,134	2,134
Pension increases and deferred revaluation			
Present value of total obligation	131,414	129,283	127,187
Projected Service Costs	2186	2,134	2,084
Life Expectancy assumptions			
	+ 1 year		- 1 year
Present value of total obligation	134,343	129,283	124,418
Projected Service Costs	2,202	2,134	2,068

*Not including additional liability relating to McCloud judgement estimated at £1.024m.

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.

Projected pension expense for 2019/20 is not relevant as Weymouth and Portland Borough Council ceased to exist on 31st March 2019, being replaced by Dorset Council

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

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 2019 (£935,454 as at 31 March 2018). No further provision has been made.

38. SHORT-TERM BORROWING

31st March 2018 £'000		31st March 2019 £'000
(459)	Accrued Interest Payable	(372)
(459)		(372)

NOTES TO THE ACCOUNTS

39. WEYMOUTH HARBOUR

31st March 2018 £'000		31st March 2019 £'000
1,058	Expenditure	1,233
(1,194)	Income	(1,137)
(136)	Deficit/(Surplus)	96

This table shows the income and expenditure of Weymouth Harbour for 2017/2018 and 2018/19 and is published under Section 42 of The Harbours Act 1964 and Para 10, Section 6 of The Transport Act 1981. A Harbour Revision order is due to be adopted in 2018/19

40. SURPLUS ASSETS

31st March 2018 £'000		31st March 2019 £'000
0	Balance b/f	3,100
0	Revaluation gain	830
3,100	Reclassification from Asset Held for Sale	0
3,100	Balance c/f 31 March	3,930

41. PRIOR YEAR RESTATEMENT

Restatement of Comparatives in Notes 19, 22 and Balance Sheet

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

Note 19. Debtors

Debtors for Local Taxation - Council Tax
Debtors for Local Taxation - NNDR
Other receivable amounts

Original	Restated
4,352	617
2,028	986
1857	1,337

Provision For Impairment

Debtors for Local Taxation - Council Tax
Debtors for Local Taxation - NNDR

(3,473)	(532)
(1,512)	(605)

Note 22. Creditors

Other Payables

Original	Restated
17/18	17/18
(9,479)	(8,030)

Balance Sheet As At 31 March 2018

Short-term Debtors
Short-term Creditors

Original	Restated
17/18	17/18
4,145	2,696
(10,492)	(9,043)

COLLECTION FUND

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

	2017/18			2018/19		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
INCOME						
Council Tax	41,012		41,012	43,377		43,377
Non-Domestic Rates		17,018	17,018		17,840	17,840
TOTAL INCOME	41,012	17,018	58,030	43,377	17,840	61,217
PRECEPTS / NDR DISTRIBUTION						
Central Government		7,331	7,331		7,181	7,181
Dorset County Council	27,494	1,320	28,814	29,526	1,292	30,818
Dorset Police Authority	4,032		4,032	4,337		4,337
Dorset Fire Authority	1,463	147	1,610	1,526	144	1,670
Weymouth & Portland BC	6,115	5,865	11,980	6,321	5,744	12,065
Portland Town Council	76		76	81		81
PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED						
Central Government		90	90		(80)	(80)
Dorset County Council	645	16	661	1,284	(14)	1,270
Dorset Police Authority	97		97	188		188
Dorset Fire Authority	35	2	37	68	(2)	66
Weymouth & Portland BC	148	72	220	286	(64)	222
ALLOWANCES TO CHARGING AUTHORITY						
Non-Domestic Rate Cost Of Collection		106	106		104	104
Renewable Energy Scheme			0		0	0
TRANSITIONAL RELIEF ADJUSTMENT						
Transitional Relief Paid In Advance		464	464		136	136
PROVISION FOR APPEALS						
Increase/(Decrease) To Provision		2,701	2,701		2,545	2,545
Refunds Awarded		(1,049)	(1,049)		(314)	(314)
PROVISION FOR BAD DEBTS						
Increase/(Decrease) To Provision	301	528	829	758	(25)	733
Debts Written Off In Year	127	151	278	203	410	613
TOTAL DEDUCTIONS	40,533	17,744	58,277	44,578	17,057	61,635
Surplus / (Deficit) Arising In Year	479	(726)	(247)	(1,201)	783	(418)
Balance B/F 1st April	2,330	(141)	2,189	2,809	(867)	1,942
Balance C/F 31st March	2,809	(867)	1,942	1,608	(84)	1,524

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

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

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	4.31	5/9	2.40
A	4,307.72	6/9	2,871.80
B	7,171.42	7/9	5,579.80
C	5,202.60	8/9	4,624.50
D	4,350.90	9/9	4,350.90
E	2,139.26	11/9	2,614.70
F	828.49	13/9	1,196.70
G	292.75	15/9	487.90
H	13.75	18/9	27.50
	24,311.20		21,756.20
Less Adjustment for Collection Rates			(761.50)
Council Tax Base			20,994.70

2. INCOME FROM BUSINESS RATEPAYERS

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

	2017/18	2018/19
Rateable value at year-end	£46,380,649	£46,522,372
National Multiplier	47.9p	49.3p
Small Business Multiplier	46.6p	48.0p

3. ALLOCATION OF COLLECTION FUND SURPLUS

	COUNCIL TAX £	NDR £	TOTAL £
Central Government		(41,909)	(41,909)
Dorset County Council	1,135,779	(7,544)	1,128,235
Dorset Police Authority	166,837		166,837
Dorset Fire Authority	58,713	(838)	57,875
Weymouth & Portland Borough Council	246,275	(33,527)	212,748
Total Surplus As At 31st March 2019	1,607,604	(83,818)	1,523,786

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.

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.

ANNUAL GOVERNANCE STATEMENT

Significant governance issues for 2018 - 19

Local Government Reorganisation

Overview

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

OWNER: CHIEF EXECUTIVE


Comment


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

ANNUAL GOVERNANCE STATEMENT

Statement of Assurance

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

Signed		Date	12-Dec-19
	_____		_____
	Matt Prosser, Chief Executive		

Signed		Date	17-Dec-19
	_____		_____
	Leader, Cllr S Flower		

GLOSSARY OF TERMS

ACCRUALS

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

ACCUMULATED ABSENCES ACCOUNT

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

AMORTISATION

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

AMORTISED COST

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

ASSETS HELD FOR SALE

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

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

BALANCE SHEET

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

BUDGET

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

BUSINESS RATES

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

CAPITAL ADJUSTMENT ACCOUNT

This Account is an Unusable Reserve which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

CAPITAL CHARGES

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

GLOSSARY OF TERMS

CAPITAL EXPENDITURE

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

CAPITAL GRANTS AND CONTRIBUTIONS

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

CAPITAL GRANTS UNAPPLIED ACCOUNT

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

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS RESERVE

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

CASH & CASH EQUIVALENTS

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

CASH FLOW STATEMENT

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

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

CODES OF PRACTICE

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

COLLECTION FUND

A statutory fund recording the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

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.

GLOSSARY OF TERMS

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVENTORIES

These include goods purchased for resale and consumable stores.

INVESTMENT PROPERTY

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

INVESTMENTS

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

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 capital expenditure.

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.