

# Financial Statements

## 2021 - 2022



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# CONTENTS

Introduction .....	2
Audit Opinion .....	3 - 7
Narrative Statement to the Accounts .....	8 - 25
Statement of Responsibilities .....	26
Comprehensive Income and Expenditure Statement (CIES).....	27
Balance Sheet .....	28
Statement of Movement in Reserves .....	29
Cash Flow Statement .....	30
Notes to the Financial Statements .....	31 - 65
Collection Fund .....	66
Notes to the Collection Fund .....	67
Appendix A Statement of Accounting Policies .....	
Appendix B Annual Governance Statement.....	
Appendix C Pension Fund Audit Opinion .....	
Appendix C Pension Fund Accounts and Notes .....	
Appendix D Pension Fund - IAS 26 Disclosures .....	
Appendix E Glossary of Terms .....	

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## INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset Council for the period from 1 April 2021 to 31 March 2022.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, housing, transport, planning, trading standards and libraries. Decisions relating to these services are made by the Elected Councillors of the Council, each Councillor representing a particular part of the County. Services in Bournemouth, Christchurch and Poole are administered by a separate, Unitary Authority serving that area.


The Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by four outcome-focused overview and scrutiny committees (the People and Health Overview/Scrutiny Committees, and Place and Resources Overview/Scrutiny Committees), the Joint Overview Committee and Joint Scrutiny Committee. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the council's six priorities of Economic Growth, Unique Environment, Suitable Housing, Strong, Healthy Communities, Staying Safe and Well and Climate and Ecology. Each of these committees meet, formally on a quarterly basis to provide the necessary support and challenge and when necessary, have the powers to call additional meetings. In addition, the Audit and Governance Committee provides oversight of the Council's conduct, financial, risk, performance and constitutional issues. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Planning Committees, School Appeals, etc.

Further details about the Council are available on the [dorsetcouncil.gov.uk](http://dorsetcouncil.gov.uk) website.

### **Certification by Chief Financial Officer**

I certify that these Financial Statements give a true and fair view of the financial position of Dorset Council and of its financial performance for the year ended 31 March 2022.

These Financial Statements for 2021/22 were authorised by the CFO for issue as a draft, subject to audit, on 10 November 2022.

A handwritten signature in black ink that reads "Aidan Dunn". The signature is written in a cursive, flowing style.

Aidan Dunn  
**Executive Director (Corporate Development)  
(Chief Financial Officer)**

**10 November 2022**

## AUDIT OPINION

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## **Introduction**

Welcome to the third set of financial statements for Dorset Council. The Council was established on 1 April 2019 as part of the reorganisation of local government in Dorset brought about by the Bournemouth, Dorset and Poole (Structural Changes) Order 2018 (2018/648).

The accounts summarise the Council's performance and financial position for the year ended 31 March 2022. The Council is required to prepare the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015 (as amended), supported by International Financial Reporting Standards (IFRS), other statutory guidance and generally accepted accounting practices.

## **Corporate plan**

Dorset Council area has a population of 378,500 residents, 29% of whom are aged 65 and older (compared to 18% in England and Wales). Dorset is an attractive place, and many people choose to retire here. It has a large population of older people, and relatively low birth rates. Currently there are over 7,000 people in Dorset living with dementia, and the number is increasing. Younger people often move away from the area. The population continues to grow slowly, driven by people moving into the county and longer life expectancy. The greatest part of population growth is among over 65s. Dorset's working age population is expected to see a marginal decline over the next 25 years. The Dorset rural idyll can conceal hidden deprivation however. There are significant areas of deprivation, mostly in urban areas (mainly Weymouth and Portland) and also in the east of Dorset, in Ferndown, Wimborne, and Verwood. There is also significant rural deprivation, due largely to isolation and difficulty accessing housing, transport and essential services. Crime is generally low in Dorset, although anti-social behaviour and rural crime are an ongoing problem. The council's focus on economic growth, suitable housing, strong and healthy communities and staying safe and well aim to address the opportunities and challenges this presents.

Dorset Council created the corporate plan in March 2020 to set out its ambitions for the next four years. It incorporates the political vision of your new councillors, and has been developed following conversations with residents, town and parish councils, businesses and representatives from the public, private and voluntary sectors.

The Plan was updated in October 2021 to reflect what the council has learnt from responding to the COVID-19 pandemic. Many organisations in Dorset stepped up to support local communities through this incredibly difficult time. Communities have never worked more closely together. Organisations across all sectors responded quickly, with selflessness, conviction and bravery, creating a 'one team' and 'Dorset Together' approach to supporting the most vulnerable children and adults.

The strategic priorities identified in the corporate plan are:

### **Economic growth**

- Recover from the pandemic and become more resilient to future economic shocks
- Support Dorset's high streets to change and develop
- Support Dorset's residents to access retraining opportunities
- Promote apprenticeships across all sectors and set an example by creating as many opportunities within the council as possible
- Promote Dorset as a place to do business and attract inward investment

## NARRATIVE STATEMENT TO THE ACCOUNTS

- Implement the Economic Growth Strategy adopted in 2020, and adopt a new Local Plan by 2024
- Support the growth of new and existing businesses, and in turn support job creation
- Improve the provision and use of sustainable transport and digital connectivity
- Enhance people's aspirations and skills to improve social mobility
- Support growth in Dorset's low carbon economy and skills

### **Unique environment**

- Work with partners to support safe visitor levels and improve access to safe outdoor spaces, including footpaths and bridleways, for everyone
- Monitor and respond to any additional wear and tear on the environment as a result of greater visitor numbers
- Deliver services in ways that protect our natural, historic and cultural environments
- Promote behavioural change to reduce waste and increase reuse and recycling
- Lead and support communities to respond to climate and ecological change
- Capitalise on Dorset's unique environmental assets to support our priorities
- Provide an environment that attracts business investment, tourism and a skilled workforce
- Protect Dorset's natural biodiversity
- Build and celebrate community pride in our environment to help keep it clean and safe
- Support the development of appropriately located renewable energy

### **Suitable housing**

- Work with partners to continue to support people who were housed during the pandemic, once that requirement comes to an end
- Maximise the use of council assets, and opportunities offered through our partnerships, to develop affordable and sustainable housing, including the creation of more social rented housing
- Bring long-term empty properties back into use
- Support people to access the right accommodation suitable for their needs and affordable to them
- Raise standards of privately rented homes, focussing attention on those which do not meet good and decent standards
- Promote energy efficiency and green initiatives within the housing sector to meet our climate change objectives and tackle fuel poverty
- Implement new housing allocations policy and approach to prioritising housing
- Adopt a new Dorset Council Local Plan by 2024

### **Strong, healthy communities**

- Keep residents and visitors informed about health and wellbeing, including COVID-19
- Work with and support the Strategic Alliance Board (a group of partners who support children and young people)

## NARRATIVE STATEMENT TO THE ACCOUNTS

- Support voluntary and community organisations so that they can help residents and communities to help themselves
- Support the social and cultural wellbeing of the area
- Encourage people to feel a sense of belonging and to participate actively in their community
- Increase people's healthy life expectancy and reduce differences between areas
- Provide additional support to communities with the greatest challenges, including the Stronger Neighbourhoods project in Weymouth and Portland
- Improve outcomes for children, and focus on narrowing the gap for the most vulnerable
- Find creative and innovative ways to deliver support and care to vulnerable adults to support their independence and to try and reduce the call on statutory services
- Keep the voice of residents central to all we do and regularly ensure we are doing what matters most to people

### **Staying safe and well**

- Improve outcomes for children and support children disadvantaged by missing education through the pandemic
- Support people to build on their strengths
- Make Dorset the best place to be a child; where communities thrive, and families are supported to be the best they can be
- Ensure our children achieve the best educational results they're capable of
- Work with families and children with special educational needs and disabilities to shape better services
- Support vulnerable children with food and activities during school holidays
- Support people to live independently in their own homes and, when this isn't possible, to provide high quality care,
- Work to protect children and vulnerable adults and prevent them from being exploited
- Ensure good quality service provision is available when needed by those most in need
- Learn from living with COVID-19 and develop support based on good information and data
- Review how we use resources to ensure they are shared in the most effective and efficient way to meet people's needs
- Review mental health services with partners to ensure services are accessible to those who need them

### **Climate and ecology**

- Decarbonise our estate by 2040
  - Facilitate greater renewable energy supply in Dorset
- Achieve a zero carbon fleet by 2040
- Enable residents to travel more sustainably Become a low waste council and county
- Support transition to a low carbon economy in Dorset • Protect and enhance biodiversity across the county

## NARRATIVE STATEMENT TO THE ACCOUNTS

- Encourage a low carbon food and drink sector
- Ensure Dorset is resilient to the impacts of climate change

### Chart 1: Dorset Council Corporate Plan

#### Our priorities



### Budget and performance

The Council set the 2021/22 net budget at £312.4m, funded from general grants (£4.2m), business rates (£44.3m) and council tax (£263.9m) meaning a band D equivalent council tax charge of £1,779.39. An improvement in the financial settlement from Government and the release of resources from support services through reorganisation meant that considerable extra funding was added to budgets for front line services. More detail is set out in the budget strategy report agreed by the Council in February 2021.

Table 1, below, shows the summary outturn for the Council compared with its budget. The analysis shows that overall, service budgets were overspent by £1.994m, whilst there were underspends and offsetting savings in financing and central budgets of £1.423m, meaning that overall, there was a net call on the general fund of £571k. The analysis of performance against budget and how this feeds through to movements in the Council's general fund is shown in the expenditure and funding analysis (EFA).

Reconciling numbers is also a tricky business when so many of them are used for such varying purposes in this report. It might therefore help the reader to note that the *draft outturn* figures in table 1 can also be seen in the *reported in management accounts* line in the segmental analysis (note 8 to the accounts) which in turn reconciles to the *deficit on provision of services* disclosed in the comprehensive income and expenditure statement (the Children's Services figure is a combination of DSG and Council budget totals).

Table 1

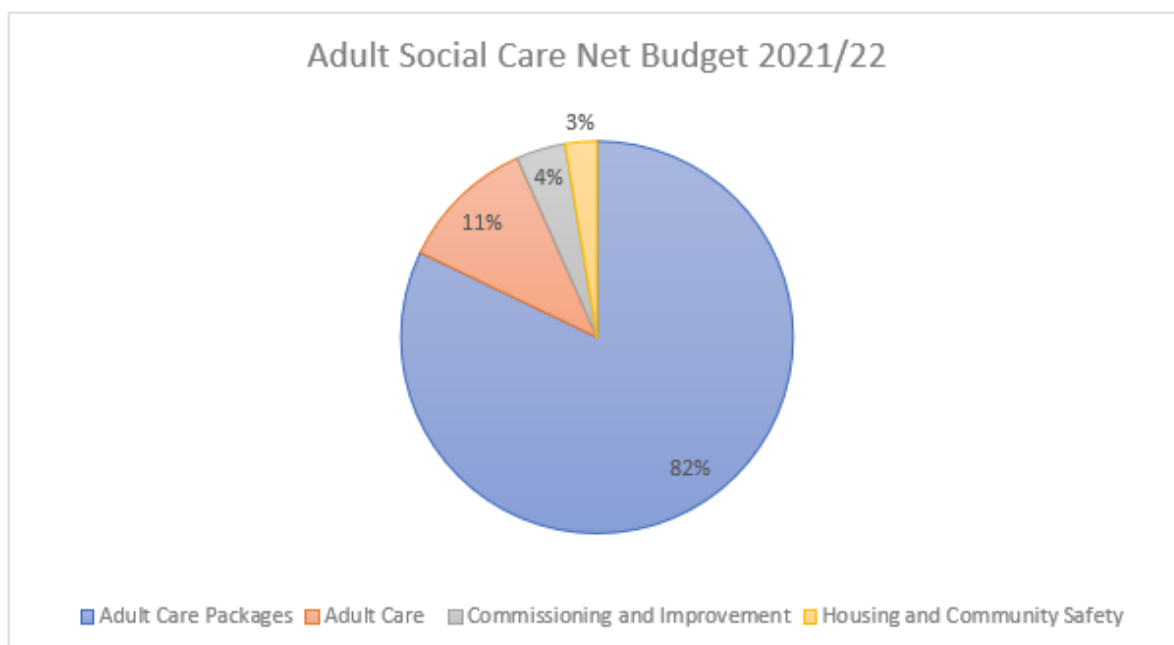
The general fund started the year at £31.5m and the impact of the activities was £14.993m. As part of the budget 2022/23, cabinet agreed to raise the level of the general fund to £33.2m and this was achieved through the repurposing of other reserves, following a strategic review that was agreed by Cabinet in June 2022.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	115,843	118,062	(2,219)	(1.92%)
People - Children's	71,432	72,256	(824)	(1.15%)
Place	72,961	72,716	245	0.34%
Corporate Development	23,844	23,364	480	2.01%
Legal & Democratic Services	5,703	5,379	324	5.68%
Public Health	3,356	3,356	0	0.00%
Total Service Budgets	293,139	295,133	(1,994)	(0.68%)
Central Finance	(273,171)	(274,594)	1,423	(0.52%)
Whole Authority	19,968	20,540	(571)	

### Adult and Community Services

People - Adult and Housing is the largest spending directorate in the Council. The approved, net revenue budget for 2021/22 was £115.8m with a total outturn of £118.06m resulting in a £2.219m overspend for the Directorate. The largest element of the budget, £100.8m (82%) is for Adult Social Care (spend on packages of care) as shown in Chart 2 below.

Chart 2



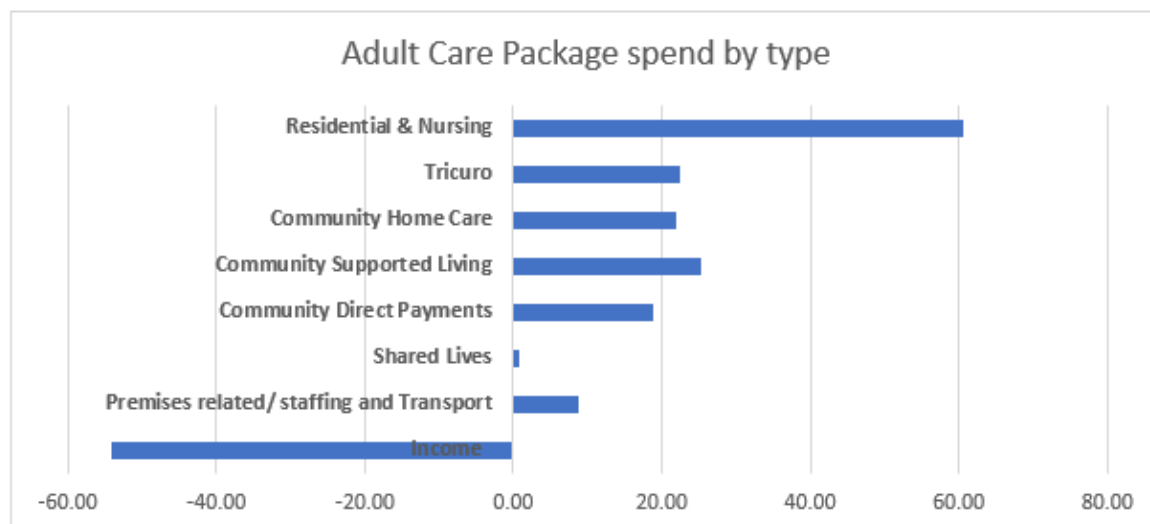
The Adult Social Care budget supports approximately 4,000 people on an annual basis and provides approximately 4,875 services.

## NARRATIVE STATEMENT TO THE ACCOUNTS

In line with national trends, the cost of adult social care services in Dorset continues to rise. The spending relating to Adult Care Packages in the year was overspent by £3.66m, the key factor being the continuation of the Hospital Discharge Programme following Covid19. This was caused through a mixture of increased complexity of packages as well as an increase in price.

Chart 3 shows where this was spent.

Chart 3



The overspend within Adult Care Packages was offset by underspends across the Directorate particularly within Adult Care Operations and Commissioning staffing budgets.

Improved Better Care Fund (iBCF) monies totalling £12.085m were received in 2021/22. These formed a part of a system-wide BCF plan, developed by the Clinical Commissioning Group (CCG) and the local authorities under the governance of the Dorset Health & Wellbeing Board.

The national guidance for the BCF requires the Clinical Commissioning Group and the County Council to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents. The combined funds totalled £136.828m with Dorset Council contributing £74.2m as shown in table 2, below.

Table 2

Scheme	CCG	LA	Grand Total
Carers	1,112,941		1,112,941
High Impact Changes Implementation/ Supported Hospital Discharge	6,172,065	3,316,243	9,488,308
Integrated health and social care locality teams	18,480,127		18,480,127
Maintaining Independence	7,683,876	8,200,364	15,884,240
Moving on from Hospital Living	3,441,000	1,213,000	4,654,000
Strong and sustainable care markets	25,710,085	61,497,859	87,207,944
<b>Grand Total</b>	<b>62,600,094</b>	<b>74,227,466</b>	<b>136,827,560</b>

The economic situation continues to be extremely challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to those in need of assistance. The Directorate is committed to further cost reductions in future to balance the budget through transformation of services.

### **Children's Services**

Children's Services budgets include funding for social care, education and early action services. The Dedicated Schools Grant (DSG) is a ringfenced grant which funds schools, Special Educational Needs and early years provision.

The Children's Services outturn was £72.2m compared with a net budget of £71.4m, an overspend of £0.82m (1.15%). This is a positive outcome for a demand-led directorate operating in an ever-changing environment.

There were two main structural budget issues that were reported during the year occurred as forecast: external placements (£2.27m overspend) and lost trading income due to a change in operating model (£1.2m under recovery of income).

These have been offset by carefully managing vacancies and agency budgets, increased unbudgeted grants and other funding income and underspending non-pay budgets, for example in-house fostering underspent by £1.38m.

Examples of unbudgeted grants and funding during the year include the COVID Winter grant (£0.279m), Monitoring and Brokering Grant (£0.242m) and Aiming High funding (£0.08m).

Children's Services delivered £4.75m (97%) of transformation and tactical savings during the year.

### **Dedicated Schools Grant (DSG)**

The DSG is a ring-fenced grant, the majority of which is used to fund individual school budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.

The DSG (Dedicated Schools Grant) overspent by £16.09m. The DSG is split into four blocks, with the High Needs Block overspending by £16.2m, and underspends in the Early Years Block (£0.05m) and Central Services to Schools Block (£0.065m). The Schools Block had a zero variance.

The outturn position is also slightly under the required 'Safety Valve' 2021-22 DSG outturn position. In March 2022, the Department for Education and Dorset Council signed a £42m agreement to eradicate Dorset's cumulative DSG deficit by 2025-26.

The first year of the 'Safety Valve' agreement required Dorset's in-year DSG deficit to be £16.1m to receive £17.5m of DfE (Department for Education) support (out of £42m). Dorset Council are required to also allocate £10m from reserves to support the historic deficit in 2021-22.

The cumulative DSG deficit, including the 2021-22 overspend, application of the first tranche of 'Safety Valve' funding and Dorset Council funding, is £27.7m. Without the 'Safety Valve' agreement, this would be £55m.

## NARRATIVE STATEMENT TO THE ACCOUNTS

For future years, to receive the remaining £24.4m 'Safety Valve' funding, Dorset Council is required to keep within the agreed DSG deficit recovery plan, use £10m of reserves and build £13m of DSG support into the Medium-Term Financial Plan.

The collective effort above, plus potentially a transfer between blocks within the DSG, would eliminate what is forecast to be a DSG cumulative deficit projection of £77.5m. In other words, if Dorset Council had not signed the 'Safety Valve' agreement, then it would potentially be exposed to a £77.5m liability.

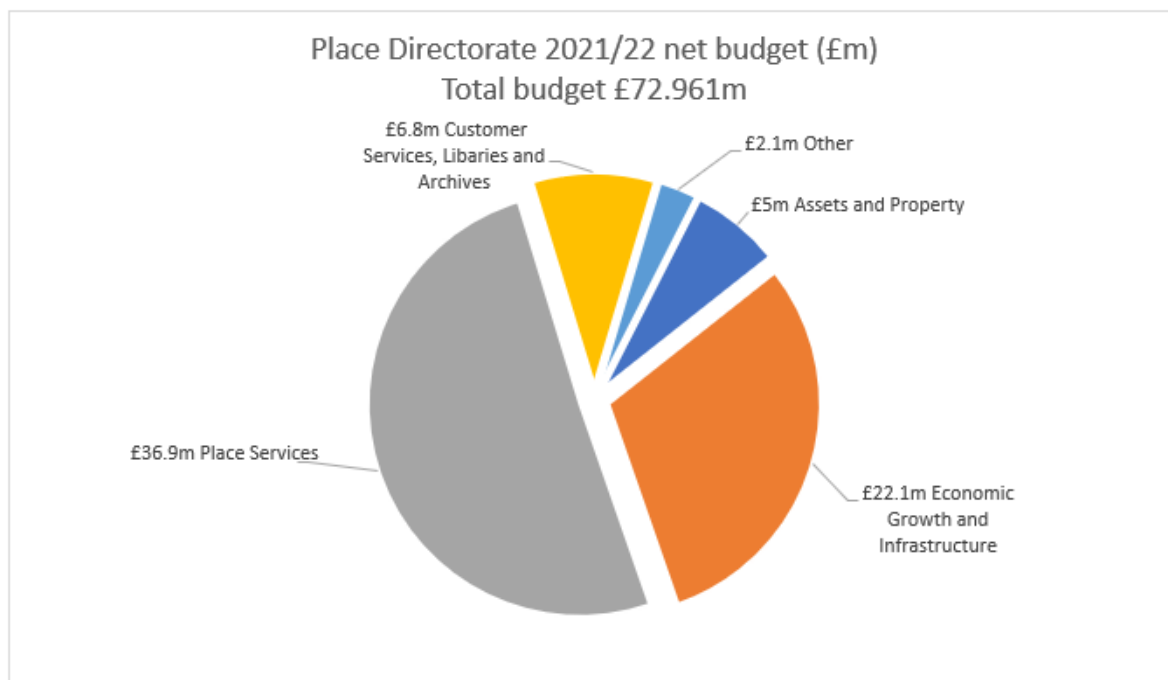
The historical DSG deficit is a long and well documented risk stemming from a change in government legislation in 2014. The number of children who require an Education Health and Care Place (EHCP) continues to rise and coupled with Dorset Special School's reaching capacity, has seen an increase in the use of generally more expensive special school places.

### Place Directorate

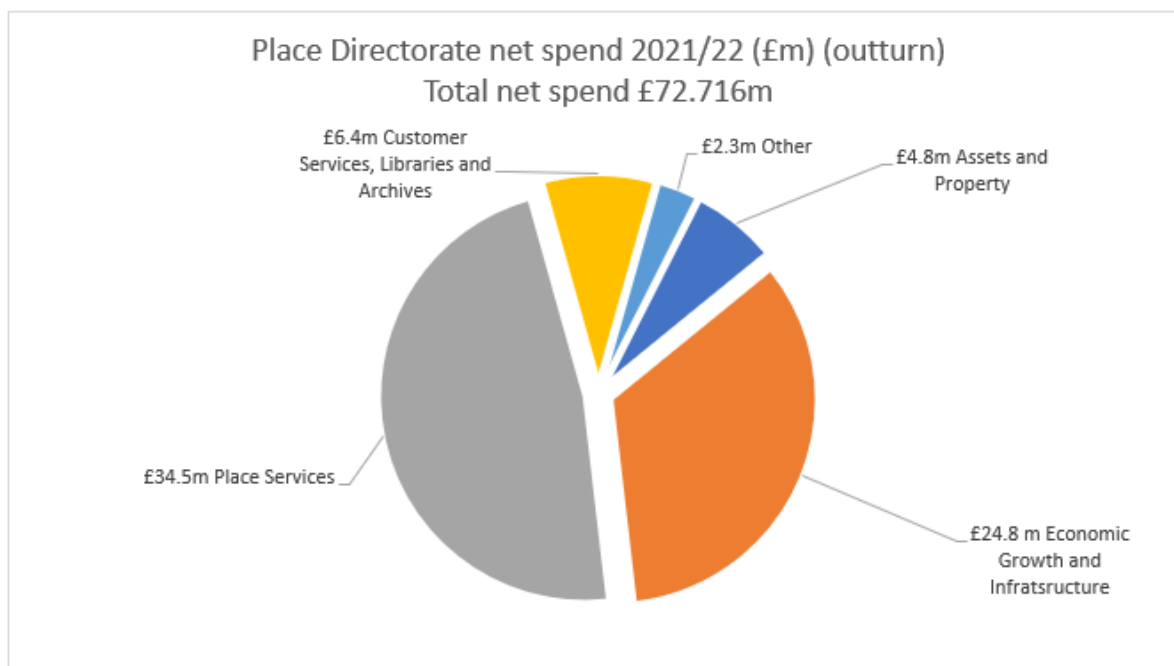
The service areas within the Place Directorate include Assets & Property, Highways, Planning, Dorset Travel, Waste, Fleet services, Community & Public Protection, Coast and Greenspace, Leisure Services, Harbours, Customer Services, Libraries & Archives, Economic Growth and Business Support.

The final Place Directorate net budget for 2021/22, after in-year adjustments, was £72.961m, and the final net spend was £72.716m, an underspend of approximately £0.245m. This is shown in the charts below.

Chart 5







Once again, activity was disrupted during the early part of 2021/22 by the pandemic, and in some cases the remainder of the year was clouded by uncertain conditions in the post-pandemic period. Effects includes a “bumper staycation” year during the summer of 2021, and the additional demand and cost placed on council services during that period, and in another example Leisure Services membership (and therefore income) has not yet returned to pre-pandemic levels. £0.7m of compensation from the Sales, Fees & Charges central government scheme was received during the year, which was applicable to Quarter 1 only (the scheme closed after that date).

### **Assets and Property (including Growth and Economic Regeneration)**

The Assets and Property budget ended the year with an overspend of £14k. Assets and Property budgets were affected by a wide range of issues including historic savings targets that were included in the budget and not achieved, loss of income in respect of staff car parking and café, some underspend in the Repairs and Maintenance (R&M) budget due to new operating model and difficulty with engaging with contractors in the post-covid/post-lockdown market, underspends in the postage budget and County Hall utility costs and a major staffing restructure early in the financial year achieved savings as planned, and some ongoing vacant posts. The change of operating model did not facilitate the full recovery of budgeted costs from capital schemes.

Growth and Economic Regeneration now also sits within Assets and Property and ended the year with an underspend of £219k, largely due to vacant posts and other minor revenue underspends.

### **Economic Growth and Infrastructure**

The Highways service ended the year at £141k overspent. Parking Services underachieved the income target by £1.165m, but it is acknowledged that income targets were too ambitious against the background of continued lockdown restrictions and increased working from home. Highways Infrastructure and Assets ended the year at just over £1m underspent. In addition to the previously reported one-off rebate on the Streetlighting PFI contract, there were also savings from streetlighting energy costs (due to LEDs), additional contributions

from the Transforming Cities Fund and reduced expenditure across a number of budget headings.

The Planning Service ended the year at £967k overspent, broadly in line with the expectation due to the issues flagged during the year.

Dorset Travel ended the year at £1.565m overspent, again broadly in line with the expectation. Transformational savings targets could not be achieved although tactical savings initiatives were implemented to offset most of this. The main overspend – and main ongoing concern – is the SEND transport budget, which transferred to Place Directorate part way through the year and overspent by £1.85m.

### **Place services**

Environment and Wellbeing budgets ended the year at £224k underspent, made up of £492k underspend against Country Parks (largely from additional income) and £256k overspend for Leisure Services which have been impacted by post-pandemic reduced income all year. Harbour finances are ringfenced.

Community and Public Protection (CPP) budgets ended the year at £82k underspent.

Waste – Commercial Waste and Strategy ended the year at almost £2.5m favourable. As noted previously, the market for waste recycle has provide extremely positive income prices during 2021/22, which together with some other budget adjustments means that the waste disposal budget ended up at almost £2.2m favourable variance.

Waste Operations including Dorset Council fleet services ended the year at £434k adverse. This is largely caused by the fleet budget, with overspends against vehicle parts and R&M, and reduced external income through MOTs.

### **Customer Services, Archives and Libraries**

Customer Services, Archives, and Libraries collectively ended the year at £487k underspent, largely in the areas of Customer Services and Libraries due to vacancies in the salaries budgets.

### **Context for the Place Directorate services**

The Place Directorate has many diverse services it delivers to the community.

- Approximately 1,800 staff work in the Directorate. The exact number fluctuates due to the need for some seasonal employment.
- The Waste team provides waste collection and disposal for over 200,000 properties, businesses and the local community in the Dorset Council area, plus street cleansing, commercial waste services and running Household Recycling Centres.
- Fleet Services are responsible for the procurement and maintenance of the councils vehicle and plant fleet at 5 workshop locations across the county.
- Highways is responsible for maintaining 3,798km of carriageway and 1,336 other structures including bridges. The team also manages 47,854 streetlights, illuminated signs and bollards. The Highways Team also manages all of the Council's on-street and off-street car parking operations.
- Dorset Travel manages travel for over 10,000 passengers per day, on over 500 routes covering schools.
- The Assets & Property service manages and maintains, for safety, compliance and operational continuity, an estate of over 1,400 property assets which include 450 commercial assets. We secure, very broadly, in excess of £10m income from our estate and commission and deliver capital projects/expenditure in excess of £20m each year.

## NARRATIVE STATEMENT TO THE ACCOUNTS

- The Planning service would expect to receive approximately 5,000 planning applications per annum.
- Community & Public Protection provides a range of services including Registrations; Bereavement; Coroners; Trading Standards, Licensing & Community Safety; Environmental Protection & Food Safety and Port Health.
- For the year, Registrations registered 1,744 births and 3,785 deaths and conducted 1,066 marriages and 89 civil partnerships.
- Due to the pandemic and the need for Food Safety Service staff to deal with around 1,600 complaints, enquires regarding Covid and the investigations of Covid outbreaks with PHE, the food inspection programme was suspended by the FSA and the service was asked to prioritise new businesses/ high risk premises and official controls to ensure that food is safe to eat.
- Customer Services provide information and advice, signposting to community resources, completing applications, processing payments and promoting on-line services through telephony, face-to-face, email and digital channels. It is the 'front door' for many Council services, resolving much of the customer demand at first point of contact. Customer Services handles over 300,000 contacts a year ranging from transactional requests to complex enquiries such as adult social care.
- Archives and Records acquires, preserves and provides access to corporate information on the one hand and cultural heritage on the other. The service manages both hard copy and digital records on behalf of council services and the public alike. Archives and Records also supports museum development, the Historic Environment Record and the Portable Antiquities Scheme.
- Library Service. Dorset Council's statutory library service is made up of: 23 council run libraries, a 24/7 online library service (offering e-books, audio books, e-newspapers, e-magazines) and a home library service, which delivers services to house bound residents. We also support eight community managed libraries who provide library services outside of the statutory service, resulting in a rich network of 31 libraries across the Dorset Council authority area. Our libraries connect communities, improve wellbeing and promote equality through our early years programme, learning, literacy and cultural activity. To ensure we meet the needs of our communities and contribute to the Council's Priorities, we are developing a new Library Strategy in partnership with communities and partners. Our strategy will design a sustainable and modern future library service with a vision looking at 2030 and beyond. In 2021 we introduced customer service points in libraries to provide essential access to council services locally. We are now playing an important role in the council's hub approach to connect residents with relevant local council, health and community services. Libraries have been a lifeline to many over the last 12 months, providing, connection and support, we had over 66,000 participants in our hybrid activities and events programme this year, delivered online and in person. Our libraries cater for the digital age by providing modern IT and supporting the development of digital skills through digital champions.
- The Economic Growth & Regeneration team assist many businesses within the Dorset Council area, and particularly so over the past year to assist recovery from the impact of the Pandemic through the delivery of business support grants and information.
- Leisure Services manage seven owned or operated Leisure Centres with over 6,000 members paying monthly.

## NARRATIVE STATEMENT TO THE ACCOUNTS

- Is responsible for three harbours (Weymouth, West Bay and Lyme Regis) as well as coastal and flood defence assets and infrastructure.
- Greenspace is also responsible for maintaining almost 4,828km of Rights of Way and thousands of km of highway verge. The Service also manages four country parks (Moors Valley, Avon Heath, Durlston and Thorncombe Woods), and 1,418 square km of areas of outstanding natural beauty, covering 55% of its total land area, 141 sites of special scientific interest, covering 18,730 hectares, 14 national nature reserves – Local reserves such as Thorncombe Woods, 59 regionally important geological and geomorphological sites (with further sites under consideration), 1,294 sites of nature conservation interest, 95 km of heritage coast and 112 km of the Jurassic Coast World Heritage Site.
- 86% of British mammal species can be found in Dorset, along with 69% of our birds, 78% of our butterflies, 67% of our dragonflies and all of our native reptiles and amphibians.

### **Corporate Services**

Corporate Services is the collective name for services across Corporate Development and Legal and Democratic Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.

The net budget for Corporate Services was £29.6m and the in-year performance was an underspend of £0.8m, largely relating to vacancy management, additional income/grants received and efficiencies around external spend some was related to Covid-19 (i.e. travel, venues etc).

### **Developing the 2022/23 budget**

2022/23 was the fourth budget for Dorset Council. The improved settlement from Government and the resources released from support services through reorganisation meant that considerable extra funding could be added to budgets for front line services. The link, earlier, to the budget report in this narrative statement can be used to see more details of the resources allocated to respective services and the process used to develop the budget strategy for 2022/23. The updated Dorset Council financial strategy statement was updated and presented to Cabinet on 21 June 2022.

For 2022/23 Dorset Council set a net budget of £331.6m, funded from general grants (£6.3m), business rates (£46.3m) and council tax (£279m) meaning a band D equivalent council tax charge of £1,832.67.

### **Future funding prospects**

Development of the next iteration of the MTFP will be extremely challenging, especially against the potential backdrop of a single-year spending review mentioned elsewhere.

There is therefore considerable uncertainty even in the first year of the plan being developed, as there is currently a significant amount of funding which is still not incorporated into the Council's baseline funding but is instead rolled-forward as one-off funding.

### **Borrowing, servicing of debt and liquidity**

- The Council's overall borrowing stood at £182m at the end of the year, a net decrease of approximately £39m during the year.

## NARRATIVE STATEMENT TO THE ACCOUNTS

Just over £4m of the debt is repayable within the next 12 months with the remainder being scheduled in line with the treasury management strategy principles on maturity. Average interest rates payable through the Public Works Loan Board (PWLB) are 4.13% and 3.67% with other lenders.

Interest payable (including PFI and leases) during the year was £9.3m and interest receivable plus other investment income was £3.1m.

The prudential borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Details of the Council's capital financing requirement is set out in note 27 to the accounts. As noted, external borrowing was £182m, with the remainder financed temporarily from the Council's own cash resources.

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due. This included the significant quantum of Government grants that were distributed through the Council during the year.

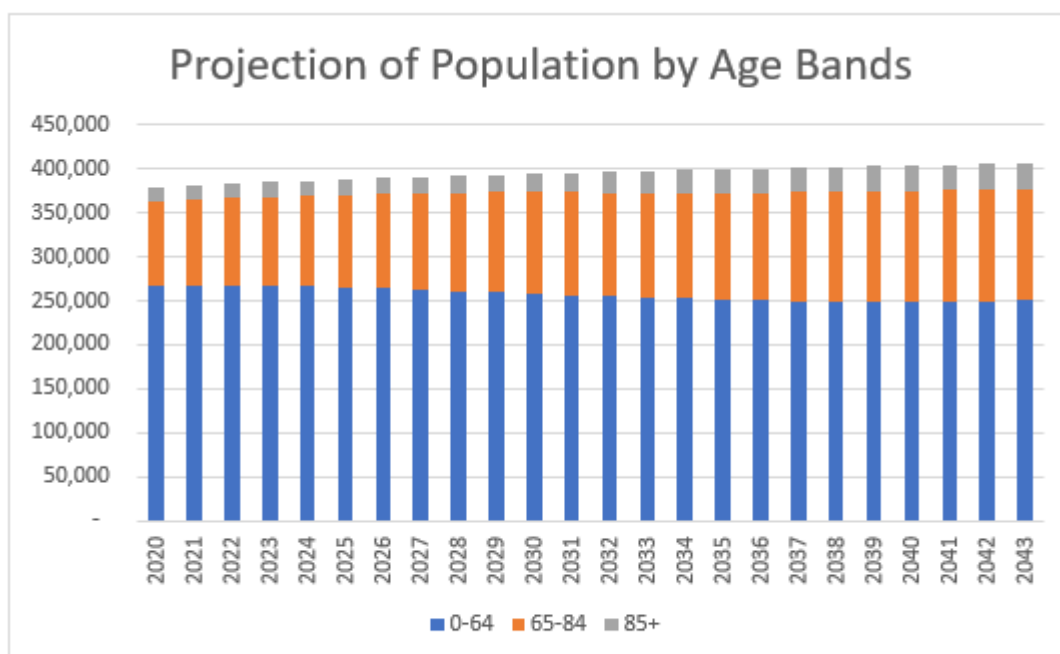
More information on debt and liquidity is routinely included in reports to the Council's Cabinet and Audit & Governance Committee. All reports are available on the website.

### Population Data

The Council provides services to a total estimated population of 383,375 (2021 being 381,657), with the projection for 2023 being 384,074.

Projections summarised in chart 6 show the population of Dorset's residents with an estimated 26% being between 65 years of age and 84 years of age, and 4% being over 85 years of age in 2021. These numbers are steadily growing, with an estimated 31% being between 65 years of age and 84 years of age and 7% over 85 years of age by 2043.

Chart 6

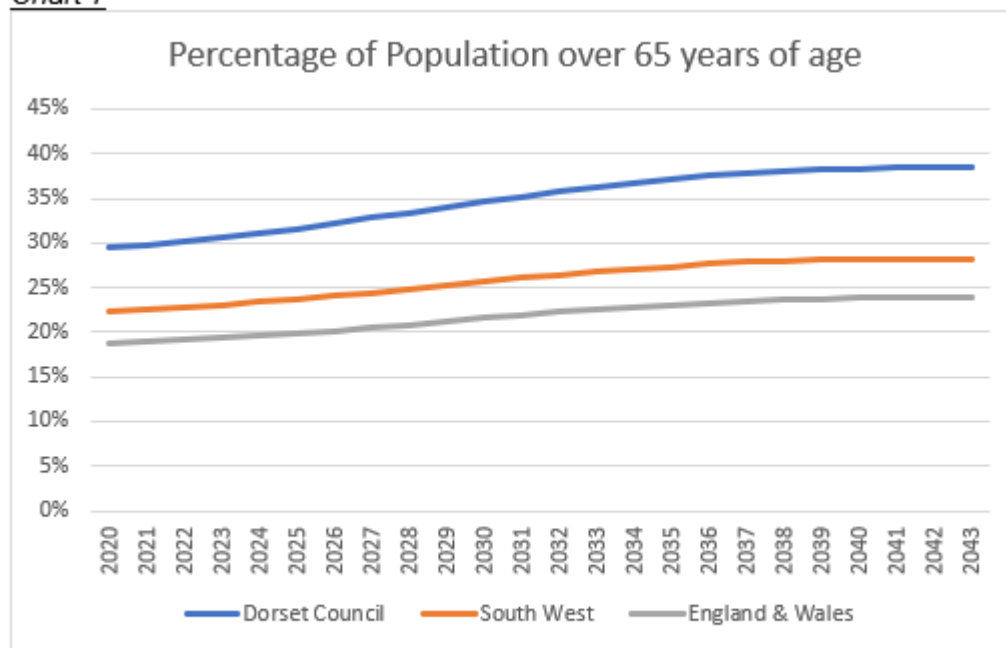


Source: 2018 Population Projections, Office for National Statistics (ONS)

## NARRATIVE STATEMENT TO THE ACCOUNTS

The percentage of the population over 65 between 2020 and 2043 in the area served by Dorset Council is shown in chart 7. Compared with the South West as well as England & Wales, a larger proportion of the population served by Dorset Council is older.

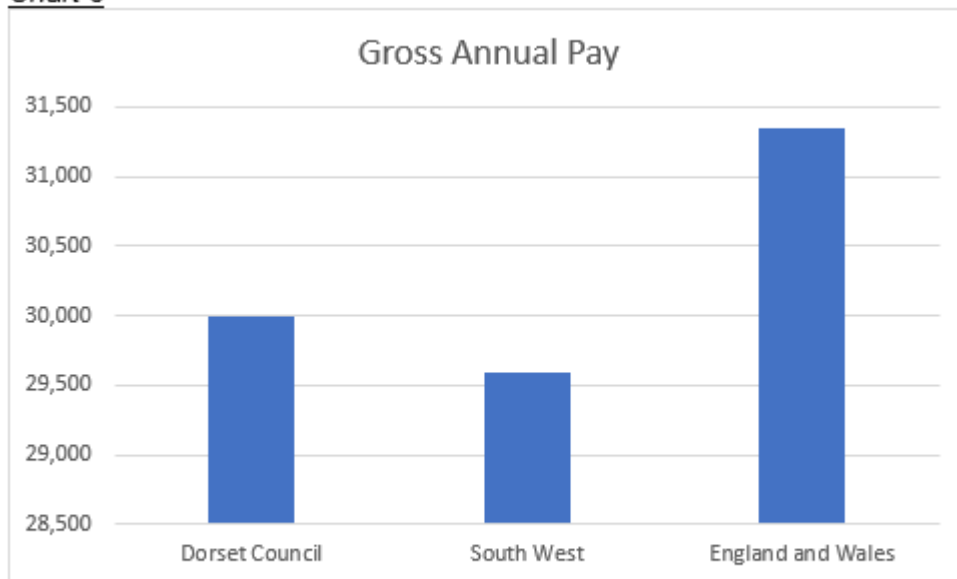
**Chart 7**



Source: 2018 Population Projections, Office for National Statistics (ONS)

The average, full-time earnings for the area served by the Council is shown in chart 8, below, compared with the South West and with England & Wales. The full-time earnings for Dorset are higher than for the South West, and lower than for England & Wales.

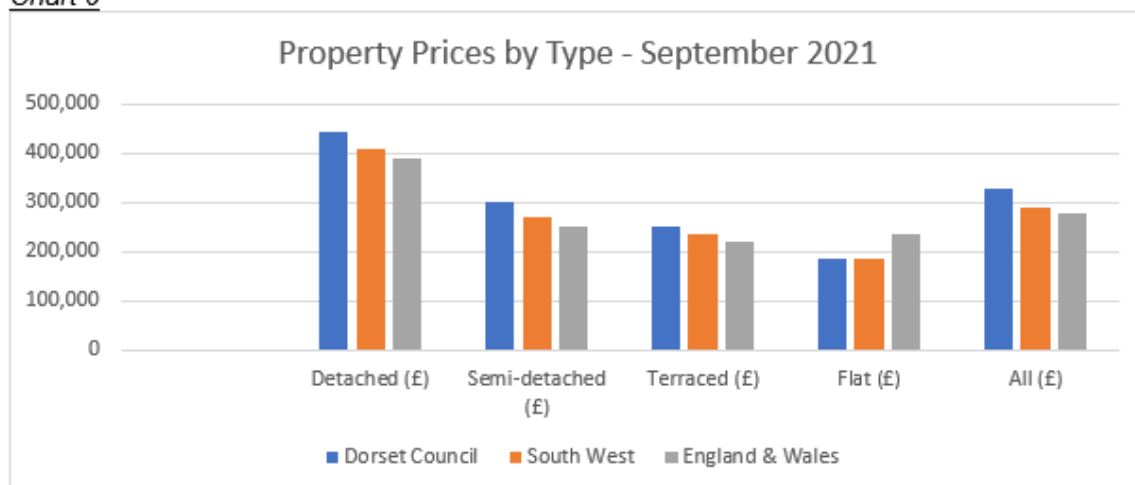
**Chart 8**



Source: ONS Crown Copyright Reserved [from Nomis on 27 April 2022]

The average price of properties in the area served by the Council is shown below, in chart 9, compared with the South West and with England & Wales. The average price of properties is higher than the South West region, and higher than for England & Wales, except for flats.

*Chart 9*



Source: House Price Statistics for Small Areas (HPSSAs), Office for National Statistics

### Reserves and balances

A full analysis of the Council's reserves is provided in the financial statements and in the notes to the accounts.

The Council closed the year with usable reserves of £300m. This was after repurposing nearly £20m of reserves to support the Dedicated Support Grant deficit recovery plan.

The vast majority of the Council's reserves are already earmarked for specific purposes or can only be used for certain types of expenditure and is therefore not available for general use (despite the generic description *usable reserves*). Use of reserves would also be unsustainable for the Council as part of budget setting strategy and this is specifically mentioned in the reserves strategy statement.

The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose) is set out in note 52 and amounts to £33.2m as agreed by Cabinet when the 2022/23 budget was agreed.

### Provisions, contingencies and contingent assets

Movements in provisions, contingent and other long-term liabilities are disclosed in the notes to the financial statements. There have been no material changes to policy or to amounts during the Council's second year of operation.

### Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year.

### Group financial statements

Having considered the relationships that exist between the Council and partners with whom it operates jointly/together, the chief Finance Officer has concluded there is no material requirement to prepare consolidated financial statements.

### **Events after the balance sheet date**

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements but reference is made to the earlier note on the Covid-19 pandemic.

### **Pension Fund**

Dorset Council is the local administering authority for the Local Government Pension Scheme (LGPS), a contributory, defined benefit pension scheme that provides pensions and other benefits for employees of Dorset Council, other councils and a range of other bodies within Dorset.

Benefits for scheme members are calculated based on factors such as age, length of membership and salary, and are funded by contributions from scheme members and their employers and from returns on contributions invested prior to benefits becoming payable.

Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities.

Administering authorities are required to maintain a pension fund for the payment of benefits, and the Council publishes annual accounts for the pension fund separately from these financial statements.

The Council is the scheme's largest employer in Dorset with 6,300 current employees contributing to the scheme and 9,300 former employees of the Council or its predecessor authorities receiving pensions.

As at 31 March 2021, the pension fund's assets were valued at £3.3bn in total, with Dorset Council's 'share' available to fund benefits estimated by the actuary to be approximately £1.2bn.

Every three years, the actuary undertakes a full assessment of the funding position for all scheme employers to set their contribution rates for the next three years. The last such actuarial valuation was based on assets and liabilities as at 31 March 2019 and estimated Dorset Council's deficit (the difference between assets and liabilities) to be approximately £115m, recoverable through employer contributions over 19 years.

In addition, the actuary is required, every year, to undertake an indicative assessment of the funding position for disclosure in the accounts of scheme employers. Accounting standards require this assessment to assume that the return on the pension fund's investments is equal to the expected return from high quality corporate bonds which is significantly lower than the expected returns from the pension fund's actual portfolio of investments. This means that the deficit reported in the accounts is significantly higher than the triennial valuation used to set contribution rates and the Council's accounting deficit was estimated at £988m as at 31 March 2021.

### **Basis of preparation**

The accounts for 2021/22 are prepared in accordance with:

- the Accounts and Audit Regulations 2015 (as amended)\*
- the CIPFA Code of Practice on Local Authority Accounting 2021/22

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2022. This includes an interpretation of the financial statements, providing information on the major influences affecting the



## NARRATIVE STATEMENT TO THE ACCOUNTS

Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

Dorset Council's primary financial statements comprise:

i) Comprehensive income and expenditure statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Councils 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. The difference between the accounting cost and costs chargeable to taxation are adjusted through the movement in reserves statement.

ii) Balance sheet (statement of financial position)

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, i.e. those 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 unapplied capital receipts reserve that 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 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*.

iii) Movement in reserves statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves. The movement in reserves statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the movements in the general fund in the year following those adjustments.

iv) Cash flow statement

The cash flow statement shows the changes in the Council's cash and cash equivalents in the year. 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 authority 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.

## NARRATIVE STATEMENT TO THE ACCOUNTS

v) Notes to the financial statements

These give further information and explanations of the figures in the primary financial statements.

vi) 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.

**Aidan Dunn**  
**Executive Director, Corporate Development**  
**Chief Financial Officer**  
**27 February 2023**



**Councillor Richard Biggs**  
**Chair, Audit and Governance Committee**  
**27 February 2023**



## STATEMENT OF RESPONSIBILITIES

The following statement describes the respective responsibilities of the Council and the Chief Financial Officer for the Financial Statements.

### **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 (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Further information about policies, procedures, publications and contact details for the Council and other relevant local authorities can be found on the [dorsetforyou.com](http://dorsetforyou.com) or [dorsetcouncil.gov.uk](http://dorsetcouncil.gov.uk) website.

### **The Chief Financial Officer's responsibilities**

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('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;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and of its income and expenditure for the year then ended.

Aidan Dunn  
**Executive Director (Corporate Development)**  
**(Chief Financial Officer)**

2020/21		2021/22				
For the year ended 31 March 2022						
Net Spending £'000	Note	Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000	
<b>Gross Spending, Gross Income, Grants &amp; Net Expenditure on Continuing Operations</b>						
110,963		162,523	50,505	7,460	104,558	
14,588		21,741	4,472	108	17,161	
5,671		11,964	2,899	4,291	4,774	
3,675		5,106	9,786	-	(4,680)	
4,906		10,522	3,548	3,180	3,794	
277		437	-	-	437	
<b>140,080</b>		<b>212,293</b>	<b>71,210</b>	<b>15,039</b>	<b>126,044</b>	
<b>People - Adults</b>						
8,880		84,072	6,260	70,368	7,444	
2,924		4,885	1,465	-	3,420	
2,004		2,403	121	-	2,282	
11,645		12,268	586	100	11,582	
342		265	-	-	265	
1,201		1,268	6	-	1,262	
1,217		1,313	7	-	1,306	
1,674		1,309	24	-	1,285	
243		7,486	10	1,394	6,082	
973		1,005	-	-	1,005	
397		1,700	1,205	-	495	
996		2,564	2	95	2,467	
<b>32,496</b>		<b>120,538</b>	<b>9,686</b>	<b>71,957</b>	<b>38,895</b>	
<b>Corporate Development</b>						
21,498		45,929	17,638	3,446	24,845	
4,243		10,699	5,663	280	4,756	
23,297		28,964	281	2,397	26,286	
1,873		2,062	-	-	2,062	
10,783		24,113	10,325	4,512	9,276	
4,005		7,790	3,221	106	4,463	
18,333		25,559	5,997	-	19,562	
14,447		16,734	438	19	16,277	
7,538		9,669	644	333	8,692	
1,962		1,071	-	-	1,071	
17,909		17,982	8,102	276	9,604	
<b>125,888</b>		<b>190,572</b>	<b>52,309</b>	<b>11,369</b>	<b>126,894</b>	
<b>Place</b>						
55,480		59,871	495	1,074	58,302	
73,218		82,307	2,155	1,748	78,404	
8,919		16,675	2,577	6,326	7,772	
4,809		5,384	775	250	4,359	
(37,573)		146,943	8,500	36,232	102,211	
(1,029)		-	1,029	-	(1,029)	
-		-	-	144,005	(144,005)	
<b>103,824</b>		<b>311,180</b>	<b>15,531</b>	<b>189,635</b>	<b>106,014</b>	
<b>People - Children</b>						
2,880		1,396	37	-	1,359	
2,711		3,544	632	-	2,912	
(648)		420	898	-	(478)	
2,662		2,843	126	-	2,717	
<b>7,605</b>		<b>8,203</b>	<b>1,693</b>	-	<b>6,510</b>	
(9,772)		10,585	620	5,584	4,381	
(720)		25,726	12,259	13,627	(160)	
<b>(10,492)</b>		<b>36,311</b>	<b>12,879</b>	<b>19,211</b>	<b>4,221</b>	
<b>20,121</b>		<b>22,644</b>	<b>1,448</b>	-	<b>21,196</b>	
<b>419,522</b>		<b>901,741</b>	<b>164,756</b>	<b>307,211</b>	<b>429,774</b>	
<b>Deficit on Provision of Services</b>						
<b>Other Operating Income &amp; Expenditure</b>						
(722)		1,861	-	-	1,861	
17,211		11,911	-	-	11,911	
16,536		17,085	-	100	16,985	
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
7,719	21	7,572	-	-	7,572	
(3,479)	21	-	3,113	-	(3,113)	
(9,272)	21	-	4,279	-	(4,279)	
18,403	24	20,803	-	-	20,803	
<b>465,918</b>		<b>960,973</b>	<b>172,148</b>	<b>307,311</b>	<b>481,514</b>	
<b>Net Operating Expenditure</b>						
<b>Taxation &amp; Non-Specific Grant Income</b>						
(51,642)		-	-	-	(51,642)	
-		-	-	-	-	
(266,192)		-	-	-	(266,192)	
(47,118)		-	-	-	(47,118)	
(71,306)		-	-	-	(71,306)	
<b>(436,258)</b>		-	-	-	<b>(436,258)</b>	
<b>29,660</b>		-	-	-	<b>29,660</b>	
<b>Deficit for the Year</b>						
(25,634)		-	-	-	(25,634)	
175,377		-	-	-	175,377	
<b>179,403</b>		-	-	-	<b>179,403</b>	
<b>Net Comprehensive (Income)/Expenditure</b>						

This statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

## BALANCE SHEET

As at 31 March 2021			As at 31 March 2022	
DC Single Entity			DC Single Entity	
£'000	£'000	Note	£'000	£'000
4,683			3,831	
456,844			451,922	
25,811			25,776	
423,214			437,158	
11,678			11,919	
50,090			76,696	
17,094			18,876	
	989,414	22		1,026,178
	3,250			3,194
	20,414	32		23,783
	10,636	33		10,033
	1,023,714			1,063,189
1,468		34	1,608	
81,420		35	93,822	
64,900		32	125,542	
4,937		22, 37	4,157	
83,619		38	45,878	
236,344			271,007	
42,196		39	4,337	
142,954		40	173,352	
17,349		41	12,742	
202,499			190,431	
	33,845			80,576
	1,057,559			1,143,764
(178,999)		39	(177,916)	
(22,289)		11	(20,537)	
(57)			(57)	
(2,662)		12	(2,199)	
(988,002)		24	(867,797)	
	(1,192,009)			(1,068,506)
	(134,450)			75,258
38,941		52, 53	42,744	
146,554		51	157,794	
3,599		50	4,598	
84,979		46	94,408	
274,073			299,544	
(39,095)		15	(27,683)	
(24,412)		61	(3,639)	
196,750		47	217,297	
(988,002)		24	(867,796)	
462,125		44	468,110	
(7,484)		45	(6,769)	
1,140			1,140	
3,642		48	7,921	
(13,187)		49	(12,867)	
	(408,523)			(224,286)
	(134,450)			75,258

The Balance Sheet is a record of the financial position of the Council at 31 March 2022. Figures relating to the Dorset County Pension Fund are excluded, except amounts specific to the Council, e.g. the Pensions Liability and Pensions Reserve. The summarised Pension Fund Accounts are set out in separate statements in a separate document. Detailed notes supporting the Balance Sheet are shown later in this document.

## STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2020	30,771	85,415	(325)	51,193	167,054	(122,101)	44,953
<b>Movement in reserves during 2020/21</b>							
Surplus/(Deficit) for the year	(29,660)	-	-	-	(29,660)	-	(29,660)
Total Other Comprehensive Income & Expenditure	-	-	-	-	-	(149,743)	(149,743)
Total Comprehensive Income & Expenditure	(29,660)	-	-	-	(29,660)	(149,743)	(179,403)
Net Increase/(Decrease) before Transfers	(29,660)	-	-	-	(29,660)	(149,743)	(179,403)
Adjustments between accounting basis and funding basis under regulations (note 10)	-	-	-	-	-	-	-
Total Adjustments	126,801	-	3,924	-	130,725	(130,725)	-
Transfers to/from specific reserves	-	-	-	-	-	-	-
Total transfers	(88,971)	61,139	-	33,786	5,954	(5,954)	-
Balance as at 31 March 2021	38,941	146,554	3,599	84,979	274,073	(408,523)	(134,450)

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Note	52, 53	51	50	46			
Balance as at 31 March 2021	38,941	146,554	3,599	84,979	274,073	(408,523)	(134,450)
<b>Movement in reserves during 2021/22</b>							
Surplus/(Deficit) for the year	(25,815)	-	-	-	(25,815)	-	(25,815)
Total Other Comprehensive Income/(Expenditure)	-	-	-	-	-	235,523	235,523
Total Comprehensive Income/(Expenditure)	(25,815)	-	-	-	(25,815)	235,523	209,708
Net Increase/(Decrease) before Transfers	(25,815)	-	-	-	(25,815)	235,523	209,708
Adjustments between accounting basis and funding basis under regulations (note 10)	-	-	-	-	-	-	-
Total Adjustments	124,952	-	999	-	125,951	(125,951)	-
Transfers to/(from) specific reserves	-	-	-	-	-	-	-
Total transfers	(95,334)	11,240	-	9,429	(74,665)	74,665	-
Balance as at 31 March 2022	42,744	157,794	4,598	94,408	299,544	(224,286)	75,258

<b>Revenue &amp; Capital Reserves Analysis as at 31 March 2022</b>							
Revenue	42,744	157,794	-	-	200,538	(909,693)	(709,155)
Capital	-	-	4,598	94,408	99,006	685,407	784,413
	42,744	157,794	4,598	94,408	299,544	(224,286)	75,258

CASH FLOW STATEMENT

2020/21		For the year ended 31 March 2021		2021/22	
DC Single Entity				DC Single Entity	
£'000	£'000		Note	£'000	£'000
<b>Operating Activities</b>					
Expenditure					
(274,251)		Cash Paid to or on behalf of employees		(261,474)	
(464,055)		Other operating costs		(475,944)	
(7,719)		Interest paid		(7,572)	
	(746,025)				(744,990)
Income					
249,159		Precept - Council Tax		270,721	
48,721		National Non Domestic Rates		53,649	
348,509		Other Government Grants	14	345,683	
144,090		Cash Received for goods and services		155,664	
3,479		Interest received		3,113	
	793,958				828,830
	47,933	<b>Net cash (outflow) / inflow from operating activities</b>			<b>83,840</b>
<b>Investing Activities</b>					
Expenditure					
(63,416)		Purchase of fixed assets/capital repayments	26	(88,894)	
Income					
3,924		Sale of fixed assets/(application of capital receipts)		998	
70,944		Capital grants and contributions received		71,482	
	11,452	<b>Net cash (outflow) / inflow from investing activities</b>			<b>(16,414)</b>
	59,385	<b>Net cash (outflow) / inflow before financing</b>			<b>67,426</b>
<b>Management of Liquid Resources</b>					
53		Movement in long term lending		(3,369)	
(9,318)		Movement in short term lending		(60,641)	
<b>Financing</b>					
20,000		New Short-Term borrowing		1,083	
(16,035)		Short-Term borrowing repaid		(41,077)	
(1,672)		Movement in PFI liabilities		(1,752)	
(331)		Movement in finance lease liabilities		(463)	
-		Movement in Long-Term Borrowing		1,052	
	(7,303)	<b>Net cash (outflow) / inflow from financing activities</b>			<b>(105,167)</b>
	52,082	<b>Net increase / (decrease) in cash &amp; cash equivalents</b>			<b>(37,741)</b>
	31,537	<b>Cash &amp; cash equivalents at the beginning of the period</b>			<b>83,619</b>
	83,619	<b>Cash &amp; cash equivalents at the end of the period</b>			<b>45,878</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting standards that have been issued but not yet adopted

Appendix C of the CIPFA Code of Practice requires Local Authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

### IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year)

#### Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

### Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

Note that this is based on the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change. Updates will be provided on the CIPFA Bulletins pages, and this disclosure will be updated accordingly.

## 2. Related party transactions

### 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 a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

Significant grants are received from the Department for Education, the Ministry for Housing, Communities & Local Government and the Department for Health and Social Care. Other Government Departments provide smaller levels of grant.

Specific Grants are set out in the Comprehensive Income and Expenditure Statement and Note 14.

### Other Local Authorities and Bodies levying demands on the council tax

Levies and precepts paid to other bodies during 2021/22 included the following material transactions: -

2020/21 £'000		2021/22 £'000
541	Environment Agency	552
196	Southern Sea Fisheries Committee	196
15,899	Parish Precepts	16,338

Dorset Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other admitted bodies (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts.

Dorset Council is involved in the Stour Valley and Poole Partnership (SVPP), a function that is hosted by Bournemouth Christchurch and Poole Council which administers council tax, business rates and housing benefit on behalf of two of the predecessor council areas of Dorset Council. During 2021/22, Dorset Council charged £1,914k to the 2021/22 accounts for services from SVPP (£1,741k for 2020/21).

Transactions with Bournemouth, Christchurch and Poole Council, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 25.

On 1 April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Corporate Director Legal & Democratic is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Council supplied services to related parties as detailed in the following table.

2020/21 £'000		2021/22 £'000
34	Dorset & Wiltshire Fire and Rescue Authority	34

At the end of the financial year, amounts owed by related parties were as follows: -

2020/21 £'000		2021/22 £'000
1	Dorset & Wiltshire Fire and Rescue Authority	34

### Elected Members, Staff and close families

All Councillors, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure. Some Councillors and Senior Officers have a role or are appointed by the Council to boards of voluntary bodies or charities in receipt of support from the Council.



# NOTES TO THE FINANCIAL STATEMENTS

A number of councillors have disclosed that they have received Covid business grants administered by the Council. These are grants available to any business that meets the grant criteria. None of the payments were material in terms of the accounts and Revenues and Benefits colleagues are satisfied that they have proper procedures in place to ensure that grants are paid only to qualifying businesses. Proper procedures also apply to the Additional Restrictions Grant which the Growth and Economic Regeneration Service delivers.

Councillor Mark Roberts is a director of Daley Homecare Ltd. which has a contractual relationship with the Council to provide adult social and health care services. Daley Homecare Ltd was paid £151k by the Council during 2021/22, including Covid business grants administered by the Council (£162k for 2020/21).

A close family member of Councillor Noc Lacey-Clarke provides educational consultancy services to the Council. Payments of £5k were made by the Council during 2020/21 (£3k for 2020/21).

The wife of Councillor Robin Cook is a trustee on the main board of the Museum of East Dorset, which is in receipt of a revenue support grant from Dorset Council of £70k per annum for a three year period until March 2024.

### 3. Disclosure of nature and extent of risk arising from financial instruments

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

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

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways: -

by formally adopting the requirements of the Code of Practice;

by approving annually in advance prudential indicators for the following three years limiting:

the Council's overall borrowing;

its maximum and minimum exposures to fixed and variable rates;

its maximum exposure to the maturity structure of its debt in any one time period;

Its maximum annual exposures to investments maturing beyond a year;

by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. An annual review of actual performance and a mid-year update are also reported to Councillors.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

#### Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2022 was £8.2m.

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. Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% 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 2022, £nil (2021: £nil) of loss allowances related to treasury investments.

# NOTES TO THE FINANCIAL STATEMENTS

## **Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when it is needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, other local authorities and the Public Works Loan Board (PWLB). There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council 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 primarily by setting limits, agreed in the annual treasury management strategy, on the proportion of fixed rate borrowing that can mature during specified periods.

## **Market risk**

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not 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 Income and Expenditure Account and affect the General Fund Balance. Movements in the value of investments that have a quoted market price will be treated as fair value through profit or loss (FVTPL), unless the investments have been designated as fair value through other comprehensive income (FVOCI).

**3. Disclosure of nature and extent of risk arising from financial instruments (continued)**

IFRS 9 Financial Instruments was incorporated into the CIPFA Code with effect from 1 April 2018. It specifies how an entity should classify and measure financial assets, financial liabilities and some contracts to buy or sell non-financial items. It requires an entity to recognise a financial asset or a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are accounted for at either amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI).

**Assets Held for Sale**

All of the Council's assets held for sale are non-current, physical assets rather than equity assets. These have been valued in accordance with the appropriate accounting policies and are shown in note 22 to the Accounts.

**Investments in Joint Ventures**

Investments in joint ventures are not relevant for IFRS 9 and are accounted for using the equity method of consolidation in accordance with IFRS11 and IFRS12.

**Financial Instrument Balances**

The financial assets and liabilities at 31 March include the following categories of financial instruments:

2020/21		<u>Financial Assets</u>	2021/22	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
20,414	64,900	<b>Investments in pooled funds</b>	<b>23,783</b>	<b>125,542</b>
10,636	68,682	<b>Debtors</b>	<b>10,033</b>	<b>82,304</b>
-	83,619	<b>Cash and Cash Equivalents</b>	<b>-</b>	<b>45,878</b>
<u>31,050</u>	<u>217,201</u>	<b>Total Financial Assets</b>	<b>33,816</b>	<b>253,724</b>

2020/21		<u>Financial Liabilities</u>	2021/22	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
(62,899)	(21,101)	<b>Borrowing</b>		
(116,100)	(21,095)	Public Works Loan Board (PWLB)	(61,816)	(1,133)
		Other lenders	(116,100)	(3,204)
<u>(178,999)</u>	<u>(42,196)</u>		<u>(177,916)</u>	<u>(4,337)</u>
		<b>Other Liabilities</b>		
(22,289)	-	PFI Liability	(20,537)	-
(57)	-	Other Long Term Liabilities	(57)	-
(2,662)	-	Obligations Under Finance Leases	(2,199)	-
<u>(25,008)</u>	<u>-</u>		<u>(22,793)</u>	<u>-</u>
-	(119,931)	<b>Creditors (payable within 12 months)</b>	<b>-</b>	<b>(138,603)</b>
<u>-</u>	<u>(119,931)</u>		<u>-</u>	<u>(138,603)</u>
<u>(204,007)</u>	<u>(162,127)</u>	<b>Total Financial Liabilities</b>	<b>(200,709)</b>	<b>(142,940)</b>

NOTES TO THE FINANCIAL STATEMENTS

The following table analyses the financial instruments into input levels for measurement techniques:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

(The fair values of short-term financial instruments held at amortised cost are assumed to approximate to the carrying amount and are excluded from this table.)

2020/21				2021/22		
Level 1 £'000	Level 2 £'000	Level 3 £'000	<b>Financial Assets</b>	Level 1 £'000	Level 2 £'000	Level 3 £'000
64,900	20,414	-	<b>Investments in pooled funds</b>	<b>125,542</b>	<b>23,783</b>	-
-	10,636	-	<b>Long Term Debtors</b>	-	<b>10,033</b>	-

2020/21				2021/22		
Level 1 £'000	Level 2 £'000	Level 3 £'000	<b>Financial Liabilities</b>	Level 1 £'000	Level 2 £'000	Level 3 £'000
			<b>Borrowing</b>			
(84,000)	-	-	Public Works Loan Board (PWLB)	(62,949)	-	-
(137,195)	-	-	Other lenders	(119,304)	-	-
(221,195)	-	-		(182,253)	-	-
			<b>Other Liabilities</b>			
-	(22,289)	-	PFI Liability	-	(20,537)	-
-	(57)	-	Other Long Term Liabilities	-	(57)	-
-	(2,662)	-	Obligations Under Finance Leases	-	(2,199)	-
-	(25,008)	-		-	(22,793)	-

The amount owed to the Council by sundry debtors can be analysed by age as follows:

2020/21			2021/22
£'000			£'000
10,788		Less than 30 days	<b>12,572</b>
4,965		Between 30 and 180 days	<b>7,387</b>
3,073		Between 181 and 365 days	<b>4,936</b>
9,565		Over 1 year	<b>8,477</b>
<u>28,391</u>			<u>33,372</u>
<u>5,911</u>		Provision for bad debts - impairment	<u>8,075</u>

**4. Events after the Balance Sheet date**

There were no material events after the balance sheet date that require disclosure in these financial statements. The narrative statement provides a separate update on the impact of the outbreak of the coronavirus, Covid-19.

**5. Local Government reorganisations**

Section 2.5 of the Code sets out the accounting requirements for local government reorganisation and other business combinations. In essence, public sector bodies are deemed to be under common control and any reorganisations are generally timed to start on 1 April. Such reorganisations are generally reflected in the accounts by restating the opening balance sheet for the current year. Transfers are not reflected in the Comprehensive Income and Expenditure Statement, but are instead disclosed in the Movement In Reserves Statement. The notes to the Financial Statements disclose the impact of the transfers rather than restate comparative year figures.

Dorset Council was established on 1 April 2019 as part of the reorganisation of local government in Dorset, effected by the Bournemouth, Dorset and Poole (Structural Changes) Order 2018 No 648. On that date, Dorset Council assumed the assets, liabilities, benefits and obligations of its five predecessor, district and borough councils, and that part of the former County Council that related to the geographical area represented by those five district councils. The County Council's balance sheet at 31 March 2019 was disaggregated between Dorset Council and Bournemouth Christchurch and Poole Council according to methods agreed between the two councils and overseen by the Local Government Association.

**Academies**

During the year ended 31 March 2022, the following Schools were established as Academies under the Academies Act 2010. The amounts in the table below are included in the Comprehensive Income and Expenditure Statement on account of each school.

2020/21		Dedicated Schools Grant	Conversion Date		2021/22		
Schools Delegated Budgets £'000	Schools - Council Expenditure £'000				Schools Delegated Budgets £'000	Schools - Council Expenditure £'000	Dedicated Schools Grant £'000
1,036	275	1,267	01/05/21	Wimborne First School	197	793	1,156
<b>1,036</b>	<b>275</b>	<b>1,267</b>			<b>197</b>	<b>793</b>	<b>1,156</b>

The Authority also received notification from the following Schools, that they intend to become Academies under the Academies Act 2010. The amounts shown are the values of the schools balances in the Authority's General Fund as at 31 March 2022.

School	Actual/Advised Date (if known)	School Balance at 31 March 2021 Surplus/(deficit) £
The Purbeck School	Converted 01/05/2022	718,031
Portesham CE Primary School	Converted 01/06/2022	91,098
St Nicholas & St Laurence CE Primary School	Advised 01/07/2022	43,664

When a school achieves academy status, it ceases as a local authority school and is immediately re-established as a separate legal entity. When an academy is established, it is funded directly by the Government, through distribution of General Annual Grant from the Education Funding Agency. A calculation to determine the value of any school balances in the local authority's accounts must be completed within four months of the transfer date. The academy then has one month in which to appeal to the Secretary of State for a review if it disagrees with the calculated balance. The Secretary of State has three months in which to make a determination of the actual balance. The local authority must pay over any surplus balance to the academy within one month of the academy agreeing the surplus balance (or failing to apply for a review by the statutory date) or the determination of the surplus by the Secretary of State.

Where the transferring converter school has a deficit balance, the Government reimburses the local authority for this. For sponsored academies, any deficit remains with the local authority.

**Tricuro - Local Authority Trading Company (LATC)**

On 1 July 2015, in partnership with Bournemouth Borough Council and the Borough of Poole, Dorset County Council launched Tricuro. Reorganisation of local government in Dorset meant the shares in the company passed to the new councils but reorganisations also affected the shareholders' agreement governing how Tricuro is managed and the relative share of risk and reward between the two councils.

On 3 October 2022, the Tricuro partnership between Dorset Council and Bournemouth, Christchurch Poole Council was dissolved. A new LATC named Care Dorset was formed to provide services to residents in the Dorset Council area.

**6. Prior period adjustments**

There are no prior year adjustments to disclose for the 2021/22 Accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Expenditure and Income analysed by Nature and Segmental Income

The Code requires local authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement.

	2021/22										2020/21
	People Services, Adults & Housing	Corporate Development	Place	People Services, Children	Legal & Democratic	Public Health	Centrally Managed Costs	Total	Final Budget Estimate	Variance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Charges/Trading	(202)	(2,187)	(2,132)	3,702	(71)	1,197	(295)	12	(10,398)	(10,410)	19
Authority (Democratic) Costs	-	-	-	-	1,705	-	-	1,705	1,763	58	1,645
Pay Related Costs	22,198	23,732	57,819	142,876	4,262	4,215	8,318	263,420	262,677	(743)	259,276
Premises Related Costs	2,556	2	17,132	9,656	1	114	-	29,461	31,123	1,662	29,266
Transport Related Costs	344	(1,461)	20,189	1,672	16	205	9	20,974	22,819	1,845	21,102
Supplies and Service	46,958	11,370	20,601	97,698	1,082	8,145	527	186,381	168,737	(17,644)	188,870
Transfer Payments	46,109	69,747	5	1,223	-	-	-	117,084	112,231	(4,853)	117,277
Levies & Precepts	-	-	-	-	-	-	-	-	-	-	1
Third Party Payments	86,371	467	24,284	14,736	78	21,570	2	147,508	134,443	(13,065)	165,276
Net Schools Budget adjs	-	-	-	1,424	-	-	-	1,424	1,544	120	1,039
Cost Centre Balances	(10)	-	-	109	-	-	(13)	86	6,342	6,256	580
Government Grants	(15,039)	(71,957)	(11,369)	(189,635)	-	(19,211)	-	(307,211)	(290,739)	16,472	(302,515)
Reimbursements and Contributions	(40,862)	(4,136)	(3,956)	(12,592)	(652)	(12,877)	(175)	(75,250)	(55,013)	20,237	(82,372)
Fees and Charges	(30,349)	(5,549)	(48,354)	(2,939)	(1,042)	(2)	(1,273)	(89,508)	(86,982)	2,526	(68,704)
Corporate Income & Expenditure	(12)	-	-	(180)	-	-	-	(192)	(3,883)	(3,691)	(203)
Funding	-	3,336	(258)	-	-	-	-	3,078	3,064	(14)	-
Transfers to/(from) Reserves	-	-	(1,245)	(441)	-	-	1,687	1	(475)	(476)	2
<b>Reported in Management Accounts</b>	<b>118,062</b>	<b>23,364</b>	<b>72,716</b>	<b>67,309</b>	<b>5,379</b>	<b>3,356</b>	<b>8,787</b>	<b>298,973</b>	<b>297,253</b>	<b>(1,720)</b>	<b>330,559</b>
IAS 19 Pension Adjustment	6,176	6,730	16,054	20,004	1,129	865	12,409	63,367	63,360	(7)	31,382
Capital Charges	1,806	8,801	38,124	18,701	2	-	-	67,434	67,435	1	57,581
<b>Deficit on Provision of Services</b>	<b>126,044</b>	<b>38,895</b>	<b>126,894</b>	<b>106,014</b>	<b>6,510</b>	<b>4,221</b>	<b>21,196</b>	<b>429,774</b>	<b>428,048</b>	<b>(1,726)</b>	<b>419,522</b>
Recharges (SERCOP)	13,004	(27,210)	(5,090)	22,611	(3,321)	-	-	-	-	-	-
<b>Deficit on Provision of Services</b>	<b>139,048</b>	<b>11,685</b>	<b>121,804</b>	<b>128,625</b>	<b>3,189</b>	<b>4,221</b>	<b>21,196</b>	<b>429,774</b>	<b>428,048</b>	<b>(1,726)</b>	<b>419,522</b>

The table above shows the deficit on provision of services, the same as reported on the corresponding line in the Comprehensive Income and Expenditure Statement. The line marked *reported in management accounts* reflects the figures that the County's Leadership Team reviews on a monthly basis to monitor the Authority's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

8. Expenditure and Funding Analysis

2020/21			2021/22		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
130,069	10,011	140,080	118,097	7,947	126,044
25,583	6,913	32,496	29,167	9,728	38,895
78,025	47,863	125,888	72,113	54,781	126,894
85,104	18,720	103,824	70,188	35,826	106,014
6,945	660	7,605	5,340	1,170	6,510
(10,830)	338	(10,492)	3,336	885	4,221
21,711	(1,590)	20,121	4,053	17,143	21,196
<b>336,607</b>	<b>82,915</b>	<b>419,522</b>	<b>302,294</b>	<b>127,480</b>	<b>429,774</b>
		<b>Deficit on Provision of Services</b>			
		<b>Other Operating Income &amp; Expenditure</b>			
(56)	(666)	(722)	179	1,682	1,861
	17,211	17,211	-	11,911	11,911
16,536		16,536	16,985	-	16,985
		<b>Financing &amp; Investment Income &amp; Expenditure</b>			
7,719		7,719	7,572	-	7,572
(3,479)	-	(3,479)	(3,039)	(74)	(3,113)
(9,272)		(9,272)	(4,279)	-	(4,279)
-	18,403	18,403	-	20,803	20,803
14,570	(14,570)		16,162	(16,162)	
17,633	(17,633)	-	20,566	(20,566)	
		<b>Taxation &amp; Non-Specific Grant Income</b>			
(72,835)	21,193	(51,642)	(44,312)	(13,327)	(57,639)
-		-	-	-	-
(268,494)	2,302	(266,192)	(280,257)	(7,446)	(287,703)
(47,118)		(47,118)	(35,680)	-	(35,680)
19	(71,325)	(71,306)	6	(74,683)	(74,677)
<b>(344,777)</b>	<b>(45,085)</b>	<b>(389,862)</b>	<b>(306,097)</b>	<b>(97,862)</b>	<b>(403,959)</b>
		<b>Total Other Income and Expenditure</b>			
<b>(8,170)</b>	<b>37,830</b>	<b>29,660</b>	<b>(3,803)</b>	<b>29,618</b>	<b>25,815</b>
		<b>(Surplus) / Deficit for the Year</b>			
(30,771)			(38,941)		
(8,170)			(3,803)		
<b>(38,941)</b>			<b>(42,744)</b>		
		<b>Closing General Fund Balance as at 31 March 2021</b>			

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

2020/21 Total Adjustments  £'000	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			Total Adjustments  £'000
		Adjustments for Capital Purposes  £'000	Net Change for the Pensions Adjustments  £'000	Other Differences  £'000	
10,011	People - Adults	1,806	6,175	(34)	7,947
6,913	Corporate Development	3,036	6,728	(36)	9,728
47,863	Place	37,573	17,298	(90)	54,781
18,720	People - Children	15,968	20,444	(586)	35,826
660	Legal & Democratic	2	1,129	39	1,170
338	Partnerships (DCC Leads)	-	865	20	885
(1,590)	Centrally Managed Costs	9,361	12,409	(4,627)	17,143
<b>82,915</b>	<b>Deficit on Provision of Services</b>	<b>67,746</b>	<b>65,048</b>	<b>(5,314)</b>	<b>127,480</b>
<b>(45,085)</b>	<b>Other Income and Expenditure from the Funding Analysis</b>	<b>(77,325)</b>	<b>20,803</b>	<b>(41,340)</b>	<b>(97,862)</b>
<b>37,830</b>	<b>Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(9,579)</b>	<b>85,851</b>	<b>(46,654)</b>	<b>29,618</b>

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The adjustments between the funding and accounting basis above summarise detailed entries on the Movement in Reserves Statement, categorised by capital, pensions or other differences, that result in movements to the Comprehensive Income and Expenditure Statement to show the net expenditure chargeable to the general fund balance.



## 10. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure together with movements in reserves under statute.

Usable Reserves 2020/21	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis and funding basis under regulations</b>							
Charges for depreciation & Impairment of non-current assets	55,759				55,759	(55,759)	-
Revenue expenditure funded from capital under statute	2,113				2,113	(2,113)	-
Net (gains)/losses on disposal of non-current assets	(666)		4,432		3,766	(3,766)	-
Net (gains)/losses on disposal of Academies	17,211				17,211	(17,211)	-
Statutory provision for financing of capital investment	(14,570)				(14,570)	14,570	-
Capital Expenditure charged against the General Fund	-				-	-	-
Usable Capital Receipts funding revenue income from finance leases	12		(12)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(496)		(496)	496	-
<b>Adjustments for Capital Purposes</b>	<b>59,859</b>	<b>-</b>	<b>3,924</b>	<b>-</b>	<b>63,783</b>	<b>(63,783)</b>	<b>-</b>
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	85,591				85,591	(85,591)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(34,870)				(34,870)	34,870	-
<b>Net Change for the Pensions Adjustments</b>	<b>50,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,721</b>	<b>(50,721)</b>	<b>-</b>
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(598)				(598)	598	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(9,271)				(9,271)	9,271	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	2,302				2,302	(2,302)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	21,195				21,195	(21,195)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	2,593				2,593	(2,593)	-
<b>Other Adjustments</b>	<b>16,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,221</b>	<b>(16,221)</b>	<b>-</b>
<b>Total Adjustments 2020/21</b>	<b>126,801</b>	<b>-</b>	<b>3,924</b>	<b>-</b>	<b>130,725</b>	<b>(130,725)</b>	<b>-</b>

Usable Reserves 2021/22	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis and funding basis under regulations</b>							
Charges for depreciation & Impairment of non-current assets	58,384				58,384	(58,384)	-
Revenue expenditure funded from capital under statute	9,361				9,361	(9,361)	-
Net gains/(losses) on disposal of non-current assets	1,684		1,404		3,088	(3,088)	-
Net gains/(losses) on disposal of Academies	11,910				11,910	(11,910)	-
Statutory provision for financing of capital investment	(15,976)				(15,976)	15,976	-
Capital Expenditure charged against the General Fund	(186)				(186)	186	-
Usable Capital Receipts funding revenue income from finance leases	12		(12)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(393)		(393)	393	-
<b>Adjustments for Capital Purposes</b>	65,189	-	999	-	66,188	(66,188)	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	121,367				121,367	(121,367)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(35,517)				(35,517)	35,517	-
<b>Net Change for the Pensions Adjustments</b>	85,850	-	-	-	85,850	(85,850)	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(320)				(320)	320	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(4,279)				(4,279)	4,279	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(7,446)				(7,446)	7,446	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(13,327)				(13,327)	13,327	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(715)				(715)	715	-
<b>Other Adjustments</b>	(26,087)	-	-	-	(26,087)	26,087	-
<b>Total Adjustments 2021/22</b>	124,952	-	999	-	125,951	(125,951)	-

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport, using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. The school became an Academy on 1 April 2015 but despite the change in status, the PFI arrangement will continue to be the responsibility of the Council.

In 2009, the Council entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

Payments made and PFI Grants receivable to support the schemes were as follows:

Payments 2020/21 £'000	Grants Rcvd 2020/21 £'000		Payments 2021/22 £'000	Grants Rcvd 2021/22 £'000
6,373	(2,546)	Street lighting (provider)	5,834	(2,546)
(3,063)	-	Street lighting reimbursement	-	-
1,463	-	Street lighting (energy)	1,530	-
2,829	(1,559)	Colfox School (provider)	2,874	(1,559)

Repayments to be made (to the end of the contracts) under PFI arrangements are analysed as follows:

	Street lighting £'000	Colfox School £'000
Capital repayment	44,196	10,626
Interest charges	2,535	3,896
Service charges	32,810	12,787
	<b>79,541</b>	<b>27,309</b>

Movements of PFI asset and liability balances are analysed as follows:

<b>Assets</b>	Street lighting £'000	Colfox School £'000
Opening balance	41,801	24,179
Additions/developments/lifecycle	3,248	-
Revaluations	-	2,905
Impairments	-	-
Depreciation	(1,877)	(418)
Closing balance	<b>43,172</b>	<b>26,666</b>

<b>Liabilities</b>	Street lighting £'000	Colfox School £'000
Opening balance	(13,897)	(8,392)
Additions/developments/lifecycle	(3,248)	(749)
Repayments	4,360	1,389
Closing balance	<b>(12,785)</b>	<b>(7,752)</b>

Future PFI liabilities fall due as analysed in the table below.

	Payments due within one year £'000	Payments due between one and five years £'000	Payments due after five years £'000	Total future payments £'000
Street lighting	1,149	4,351	7,284	12,784
Colfox School	743	3,770	3,240	7,753
Total future payments	<b>1,892</b>	<b>8,121</b>	<b>10,524</b>	<b>20,537</b>

## 12. Leases

Dorset Council accounts for leases in accordance with the accounting policies set out in this document.

Specific information for leases is as follows:

### Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2020	695	1,370
New finance leases	76	-
Depreciation charge	(310)	(67)
Carrying amount as at 31/03/2021	461	1,303
New finance leases	-	-
Depreciation charge	(313)	(67)
<b>Carrying amount as at 31/03/2022</b>	<b>148</b>	<b>1,236</b>

NOTES TO THE FINANCIAL STATEMENTS

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2020	(954)	(2,037)
Liabilities added	(76)	-
Capital repayment	359	46
Carrying amount as at 31/03/2021	(671)	(1,991)
Liabilities added	-	-
Capital repayment	413	50
Carrying amount as at 31/03/2022	(258)	(1,941)

The following amounts were paid/are payable under lease agreements:

	2021/22 £'000	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	274	274	1,096	3,792
Finance leases - plant, equipment, vehicles	642	297	44	32
All finance leases	916	571	1,140	3,824
Operating leases - property	697	817	2,755	10,581
Operating leases - plant, equipment, vehicles	787	365	55	39
All operating leases	1,484	1,182	2,810	10,620
All leases	2,400	1,753	3,950	14,444

Total future minimum lease payments (MLP) are as follows:

	MLP £'000	Net Present Value MLP £'000
Finance leases	5,534	3,023
Operating leases	14,612	7,879

It is the practice of Dorset Council in property lease accounting, to apply a 125 year term end date, reviewed each financial year, to leases out as lessor held on an in perpetuity basis.

Debtor representing interest in finance leases

	£'000
Closing balance 31/03/2020	1,348
Payments received	(12)
New finance leases	-
Closing balance 31/03/2021	1,336
Payments received	(13)
New finance leases	-
Closing balance 31/03/2022	1,323

Future receipts from leases

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	46	185	2,765
Operating leases - property	4,637	10,999	67,204

Operating leases above include the following arrangements with Tricuro:

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Operating leases - property	1,189	-	-

Total future minimum lease receipts (MLR) are as follows:

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	2,996	1,022
Operating leases - property	82,840	43,711

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Revenue from Contracts with Service Recipients

IFRS 15 Revenue from Contracts with Customers was incorporated into the CIPFA Code with effect from 1 April 2018. IFRS 15 established the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Included in the Council's income as shown on the Comprehensive Income and Expenditure Statement are the following amounts from contracts with customers as defined by IFRS 15. The Council has contract receivables, but no contract assets or contract liabilities. It has been concluded that revenue will be recognised in the correct financial year by following the year-end processes for accruals.

	2021/22			Revenue recognised for the year £'000
	Income from contracts with customers £'000	Other Income £'000	Specific grants £'000	
People - Adults & Housing	49,151	22,059	15,039	86,249
Corporate Development; Legal and Democratic; and Centrally Managed	2,824	10,003	71,957	84,784
People - Children	492	15,039	189,635	205,166
Place	15,587	36,722	11,369	63,678
Partnerships	-	12,879	19,211	32,090
<b>Total</b>	<b>68,054</b>	<b>96,702</b>	<b>307,211</b>	<b>471,967</b>

## 14. Analysis of Government Grants

This table gives details of the specific grants received from central Government Departments.

2020/21 £'000		2021/22 £'000
163,659	Education	180,288
58,053	Department for Levelling Up, Housing and Communities	56,511
42,214	Health	29,436
1,849	Transport	1,628
1,089	Environment, Food & Rural Affairs	928
2,779	Culture, Media & Sport	1,458
72,403	Work & Pensions	67,513
263	Business, Innovation & Skills	338
-	Ministry of Defence	-
17	Ministry of Justice	-
24	European Union	47
1,012	Home Office	1,734
2,112	Other	1,369
<b>345,474</b>		<b>341,250</b>

## 15. Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2021/22 are as follows: -

Total 2020/21 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total 2021/22 £'000
259,662	Final DSG for 2021/22 before Academy and High Needs recoupment			279,977
(119,096)	Academy figure and High Needs figure recouped for 2021/22			(136,860)
140,566	Total DSG after academy and high needs recoupment for 2021/22			143,117
	Plus: Brought forward from 2020/21			
(21,803)	Less: Carry-forward to 2022/23 agreed in advance			(39,095)
118,763	Agreed initial budgeted distribution in 2020/21	17,506	86,516	104,022
(115)	In year adjustments	17,410		17,410
118,648	Final budgeted distribution in 2021/22	34,916	86,516	121,432
70,340	Less: Actual central expenditure	72,599		72,599
87,403	Less: Actual ISB deployed to schools		86,516	86,516
	Plus Local Authority contribution for 2021/22			10,000
(39,095)	In Year Carry forward to 2022/23	10,000		(27,683)
	Plus/Minus: Carry-forward to 2022/23 agreed in advance	(27,683)	-	(27,683)
	Carry-forward to 2022/23			39,095
	DSG unusable reserve at the end of 2020/21			11,412
	Addition to DSG unusable reserve at the end of 2021/22			(39,095)
	Total of DSG unusable reserve at the end of 2021/22			-
(39,095)	Net DSG position at the end of 2021/22			(39,095)
				(27,683)

# NOTES TO THE FINANCIAL STATEMENTS

## 16. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Total capital expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is principally capital expenditure on assets which the Council does not own and which are not included on its asset register or Balance Sheet. This expenditure is charged in the Comprehensive Income and Expenditure Statement with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Council's accounts. For 2021/22, the main areas of expenditure were on 5G rural Dorset £3.9m, Woodroffe School £2m, and superfast broadband £1.6m.

2020/21		2021/22
£'000		£'000
2,113	Expenditure in Service Budgets funded from Capital Adjustment Account	9,361

## 17. Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2020/21		2021/22
£'000		£'000
1,634	Members' allowances	1,680

## 18. Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum. Although not required by the Regulations, this list includes pension contributions, as well as senior officers disclosed in the subsequent table. Missing bands have no staff in them for either year (e.g. £160,000 to £165,000).

2020/21				2021/22		
Non-schools	LEA Schools	VAVC Schools	Group	Non-schools	LEA Schools	VAVC Schools
133	123	72	£50,000 to £55,000	174	99	60
136	76	40	£55,000 to £60,000	146	82	39
74	48	29	£60,000 to £65,000	75	52	36
39	32	27	£65,000 to £70,000	41	30	23
17	13	12	£70,000 to £75,000	16	19	17
4	6	7	£75,000 to £80,000	4	10	6
14	4	4	£80,000 to £85,000	6	7	6
4	7	3	£85,000 to £90,000	11	6	4
6	2	-	£90,000 to £95,000	8	4	1
-	6	5	£95,000 to £100,000	4	5	1
3	1	2	£100,000 to £105,000	-	3	5
5	2	1	£105,000 to £110,000	2	1	1
2	-	-	£110,000 to £115,000	2	1	-
2	1	-	£115,000 to £120,000	3	-	-
2	1	-	£120,000 to £125,000	1	1	-
2	1	2	£125,000 to £130,000	3	2	1
-	2	-	£130,000 to £135,000	2	-	-
1	-	-	£135,000 to £140,000	4	1	-
3	-	1	£140,000 to £145,000	-	1	-
-	-	-	£145,000 to £150,000	-	-	1
1	-	-	£150,000 to £155,000	-	-	-
1	-	-	£155,000 to £160,000	1	-	-
4	-	-	£165,000 to £170,000	4	-	-
1	-	-	£195,000 to £200,000	1	-	-
<b>454</b>	<b>325</b>	<b>205</b>		<b>508</b>	<b>324</b>	<b>201</b>

## NOTES TO THE FINANCIAL STATEMENTS

Dorset Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level. The Accounts & Audit Regulations 2015 require the disclosure of remuneration of senior officers whose salary was £150,000 or more per annum. In line with the Council's published pay policy, information on certain other senior posts is also disclosed.

2020/21 Total	Post Holder Information	Name	Salary (can include Redundancy) £'000	Additional Emoluments (inc Elections Payments) £'000	Pension Contributions £'000	Total including Pension Contributions £'000
	<b>Chief Executive</b>					
198	Current Postholder	Matt Prosser	173	-	29	202
	<b>Executive Director People, Adults</b>					
167	Current Postholder	Vivienne Broadhurst	144		26	170
140	Previous Postholder		63		3	66
307			207	-	29	236
	<b>Executive Director of Place</b>					
167	Current Postholder	John Sellgren	144		26	170
	<b>Executive Director People, Children's</b>					
167	Current Postholder	Theresa Leavy	144		26	170
	<b>Executive Director Corporate Development</b>					
167	Current Postholder	Aidan Dunn	144		26	170
	<b>Director of Public Health*</b>					
156	Current Postholder	Sam Crowe	133		24	157
	<b>Director Legal &amp; Democratic Services (Monitoring Officer)</b>					
130	Current Postholder		112		20	132
	<b>Head of Chief Exec's Office</b>					
92	Current Postholder		81		15	96
<b>1,384</b>			<b>1,138</b>	<b>-</b>	<b>195</b>	<b>1,333</b>

\* - post(s) jointly funded by Dorset Council and Bournemouth, Christchurch and Poole Council as part of a jointly funded arrangement for which Dorset Council is the accountable body.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. Exit packages and termination benefits

The revised Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure.

Value of exit package	Compulsory redundancies 2021/22	Other 2021/22	Total cost £ 2021/22
<b>Non-Schools</b>			
Up to £20,000	27	20	421,054
£20,000 to £40,000	-	5	148,936
£40,000 to £60,000	2	4	282,352
£60,000 to £80,000	-	4	274,439
£80,000 to £100,000	1	-	99,700
£100,000 to £120,000	1	1	211,792
£180,000 to £200,000	1	-	198,638
£200,000 to £220,000	1	-	215,392
	33	34	1,852,303
<b>Schools</b>			
Up to £20,000	7	13	127,428
£20,000 to £40,000	1	-	20,527
£40,000 to £60,000	-	1	46,280
£60,000 to £80,000	1	-	63,003
	9	14	257,238
<b>Total</b>	<b>42</b>	<b>48</b>	<b>2,109,541</b>

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. No provision is made for these amounts in the 2021/22 accounts as the costs fall to the contingency budget in the year in which they are incurred.

Value of exit package	Redundancies	Total cost £ 2022/23
Up to £20,000	3	43,650
£100,000 to £120,000	1	108,005
	4	151,655

## 20. Audit fees

Fees payable by the Council relating to external audit and inspection are summarised in the table below.

2020/21 £'000		2021/22 £'000
180	Deloitte for external audit services as appointed auditor for the year	180
5	Deloitte for Teachers Pensions Audit	5
30	Grant Thornton for Housing Benefit audit	20
<u>215</u>		<u>206</u>

## 21. Interest and investment income

Interest payable and receivable by the Authority is analysed as follows:

2020/21 £'000		2021/22 £'000
7,719	Interest payable on borrowings (as per I&E)	7,572
(3,479)	Interest receivable and investing income (as per I&E)	(3,113)
(9,272)	Unrealised (gains) / losses on investments (as per I&E)	(4,279)
1,401	Interest payable on service concessions (PFI schemes)	1,325
162	Interest payable on finance leases (property)	158
273	Interest payable on finance leases (plant & equipment)	229
(7)	Interest receivable on finance leases (property)	(33)
<u>(3,203)</u>	<b>Total net interest paid / (investment income)</b>	<u>1,859</u>

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income and Expenditure Statement.



## 22. Property, plant and equipment

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale. These assets are not depreciated.

	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2021	513,229	84,719	664,509	11,678	31,019	50,091	1,355,245
Additions	5,172	8,631	18,013	7	7	47,680	79,510
Revaluation increases/(decreases) recognised in the revaluation reserve	15,106	-	-	-	1,262	-	16,368
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(15,274)	-	-	-	729	-	(14,545)
Derecognition - disposals	(13,911)	(6,319)	-	-	-	-	(20,230)
Other movements in cost or valuation	3,150	90	17,338	234	-	(21,075)	(263)
<b>As at 31 March 2022</b>	<b>507,472</b>	<b>87,121</b>	<b>699,860</b>	<b>11,919</b>	<b>33,017</b>	<b>76,696</b>	<b>1,416,084</b>
<b>Accumulated depreciation and impairment</b>							
As at 31 March 2021	(56,385)	(58,907)	(241,296)	-	(13,925)	-	(370,513)
Depreciation charge	(14,020)	(7,137)	(21,406)	-	209	-	(42,354)
Depreciation written out to the revaluation reserve	13,642	-	-	-	(425)	-	13,217
Depreciation written out to the surplus/deficit on the provision of services	1,213	4,699	-	-	-	-	5,912
<b>As at 31 March 2022</b>	<b>(55,550)</b>	<b>(61,345)</b>	<b>(262,702)</b>	<b>-</b>	<b>(14,141)</b>	<b>-</b>	<b>(393,738)</b>
<b>Net book value</b>							
<b>As at 31 March 2022</b>	<b>451,922</b>	<b>25,776</b>	<b>437,158</b>	<b>11,919</b>	<b>18,876</b>	<b>76,696</b>	<b>1,022,346</b>
As at 31 March 2021	456,844	25,811	423,214	11,678	17,094	50,090	984,731

	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
<b>Valued at Historic cost</b>		87,121	699,860	11,919		76,696	<b>875,596</b>
<b>Values at current value</b>	507,472				33,017		<b>540,489</b>
<b>Total</b>	<b>507,472</b>	<b>87,121</b>	<b>699,860</b>	<b>11,919</b>	<b>33,017</b>	<b>76,696</b>	<b>1,416,084</b>

The Council maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, Bruton Knowles. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The current value of PPE at 31 March 2022 is £1,416million. The effective date for all valuations is 1 January 2022 for the financial year 2021/22, and the basis of valuation is explained in the Statement of Accounting Policies.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Minimum Revenue Provision

This is a memorandum account, operated in accordance with the Local Government Act 2003 and the policy agreed by Members at the budget setting meeting, which requires an annual Minimum Revenue Provision of the previous year's Underlying Borrowing Requirement to be set aside. This summary of transactions within the Capital Adjustment Account is shown for information.

2020/21 £'000		2021/22 £'000
8,601	Owned Assets	9,765
5,563	PFI Schemes	5,748
406	Finance Leases	463
<u>14,570</u>	Total	<u>15,976</u>

### 24. Retirement benefits

Dorset Council participates in four different pension schemes that meet the needs of employees in particular services. Three are defined benefit schemes providing members with benefits related to pay and length of service, and one is a defined contribution scheme providing members with benefits related to the investment returns on contributions. The schemes are as follows: -

(i) The Local Government Pension Scheme for employees other than teachers is administered by the Council. This is a funded scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in Reserves (General Fund Balance).

Service costs are included within the 'Net Cost of Services'. The net interest on the defined liability and administration expenses is included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movement in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2020/21 £'000		2021/22 £'000
67,189	Service Cost	100,564
17,635	Net interest on the defined liability/(asset)	19,804
768	Administration expenses	999
<u>(50,721)</u>	Movement on Pensions Reserve	<u>(85,850)</u>
	<b>Actual amount charged against council tax for pensions in the year</b>	
<u>(3,332)</u>	Unfunded Pension Payments	<u>(3,285)</u>
<u>(31,539)</u>	Employer's contributions payable	<u>(32,232)</u>

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories: -

2020/21 £'000		2021/22 £'000
676,287	Equities	727,239
141,503	Gilts	169,939
28,317	Cash	27,365
71,383	Other Bonds	68,868
60,964	Diversified Growth Fund	90,138
116,245	Property	128,027
75,581	Infrastructure	93,357
63,260	Multi Asset Credit	62,707
6,081	Secured Income Funds	-
<u>1,239,621</u>	Estimated Assets in Council Fund	<u>1,367,640</u>
2,201,857	Present value of scheme liabilities	2,212,971
25,766	Present value of unfunded liabilities	22,465
<u>2,227,623</u>	Total value of liabilities	<u>2,235,436</u>
<u>(988,002)</u>	Net Pensions Asset/(Liability)	<u>(867,796)</u>

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2019, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2022.

The main assumptions used in their calculations are: -

2020/21			2021/22	
% p.a.	Real		% p.a.	Real
2.80%		CPI inflation	3.20%	
3.80%	1.0%	Rate of increase in salaries	4.20%	1.0%
2.80%	0.0%	Rate of increase in pensions	3.20%	0.0%
2.00%	-0.8%	Rate for discounting scheme liabilities	2.60%	-0.6%

## NOTES TO THE FINANCIAL STATEMENTS

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows: -

2020/21			2021/22	
Male	Female	Years	Male	Female
23.1	24.6	Retiring today	23.1	24.7
24.4	26.0	Retiring in 20 years	24.4	26.1

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2020/21		2021/22
£'000		£'000
1,776,617	Opening defined benefit obligation	2,227,623
72,703	Current service cost	82,457
32,587	Interest cost	42,144
445,049	Change in financial assumptions	(110,649)
(20,886)	Change in demographic assumptions	-
(23,582)	Experience loss/(gain) on defined benefit obligation	5,567
(8,874)	Liabilities assumed/(extinguished) on settlements	35,572
(54,748)	Estimated benefits paid (net of transfers in)	(55,593)
1,444	Past service costs including curtailments	802
10,645	Contributions by scheme participants	10,798
(3,332)	Unfunded pension payments	(3,285)
<u>2,227,623</u>	Closing defined benefit obligation	<u>2,235,436</u>

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets:

2020/21		2021/22
£'000		£'000
1,014,713	Opening fair value of scheme assets	1,239,621
14,952	Interest on assets	22,340
225,204	Return on assets less interest	100,974
(768)	Administration expenses	(999)
34,871	Contributions by employer (including unfunded)	35,517
10,645	Contributions by scheme participants	10,798
(58,080)	Estimated benefits paid (net of transfers in and including unfunded)	(58,878)
(1,916)	Settlement prices received/(paid)	18,267
<u>1,239,621</u>	Fair value of scheme assets at end of period	<u>1,367,640</u>

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2020/21		2021/22
£'000		£'000
(761,904)	Surplus / (Deficit) brought forward	(988,002)
(67,189)	Service Cost	(100,564)
34,871	Employer contributions	35,517
(768)	Administration expenses	(999)
(17,635)	Net interest on the defined liability/(asset)	(19,804)
(175,377)	Actuarial Gain/(Loss)	206,056
<u>(988,002)</u>	Surplus/(Deficit) as at 31 March	<u>(867,796)</u>

The estimated employer contribution to the scheme for the period 1 April 2022 to 31 March 2023 is £31.626m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

(ii) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2021/22 the Council paid £12.1m to the TPA at 23.68% of pensionable pay. The figures for 2020/21 was £12.5m at 23.68% of pensionable pay. The cost of added years payments to ex-staff was £1.4m (£1.5m in 2020/21). There were no contributions remaining payable at the year-end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. The benefits are fully accrued in the pensions liability detailed above.

(iii) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members' pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2021/22 the Council paid contributions of £119k to the NHSPS, being 14.38% of pensionable pay.

(iv) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members' pensionable salaries. In 2021/22 the Council paid contributions of £6.5k to NEST at 3.0% of pensionable pay.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Pooled Budgets for Health and Social Care

### Better Care Fund

The Better Care Fund (BCF) is the biggest ever financial incentive for the integration of health and social care. It requires Clinical Commissioning Groups and local authorities in every area of England to pool or align budgets and to agree an integrated spending plan for how they will use their Better Care Fund allocation.

Council is a partner in the pan-Dorset Better Care Fund which is owned by two Health and Wellbeing Boards:

- West
- East

Other partners are:

- NHS Dorset Clinical Commissioning Group
- Bournemouth, Christchurch & Poole Council

2020/21				2021/22	
	£'000			£'000	£'000
		<b>Funding provided to the pooled budget:</b>			
74,227		Dorset Council		74,227	
59,821		NHS Dorset CCG		62,600	
	134,048				136,827
		<b>Expenditure met from the pooled budget:</b>			
74,227		Dorset Council		74,227	
59,821		NHS Dorset CCG		62,600	
	134,048				136,827
	<u>-</u>	<b>Net surplus arising on the pooled budget during the year</b>		<u>-</u>	<u>-</u>

### ICES

Within the Better Care Fund (BCF) the authority has entered into a pooled budget arrangement with BCP and NHS Dorset for Equipment for Living Service (ICES). The authorities and NHS Dorset have an agreement in place with the partners contributing funds to the agreed budget equal to 18% BCP, 15% Dorset Council and 67% NHS Dorset CCG. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by BCP on behalf of the 3 partners to the agreement.

2020/21				2021/22	
	£'000			£'000	£'000
		<b>Funding provided to the pooled budget:</b>			
1,442		BCP Council		1,442	
1,248		Dorset Council		1,248	
5,690		NHS Dorset CCG		5,690	
-		HDP Contribution		1,078	
	8,380				9,458
		<b>Expenditure met from the pooled budget:</b>			
1,410		BCP Council		1,564	
1,232		Dorset Council		1,231	
5,657		NHS Dorset CCG		6,663	
	8,299				9,458
	<u>81</u>	<b>Net surplus arising on the pooled budget during the year</b>		<u>-</u>	<u>-</u>
	<u>12</u>	<b>Authority share 15% of the net surplus</b>		<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Summary of capital expenditure and financing

2020/21			2021/22	
£'000	£'000		£'000	£'000
2,766		<b>Adult &amp; Community Services</b>		
499		New Construction & Improvements (including REFCUS)	1,817	
		Capital Repairs & Maintenance	516	
		ICT	52	
	3,265			2,385
		<b>Cabinet/Whole Authority</b>		
821		New Construction & Improvements (including REFCUS)	6,807	
162		Capital Repairs & Maintenance	1,836	
1,533		Corporate Fleet Vehicle Replacements	888	
2,077		ICT	1,686	
	4,593			11,217
		<b>Children's Services</b>		
12,516		New Construction & Improvements (including REFCUS)	8,439	
3,512		Capital Repairs & Maintenance	3,183	
263		ICT	6	
	16,291			11,628
		<b>Place</b>		
36,321		Infrastructure Improvements (including REFCUS)	57,273	
267		Capital Repairs & Maintenance	163	
80		ICT	4	
	36,668			57,440
		<b>Dorset Waste Partnership</b>		
920		Infrastructure Improvements (including REFCUS)	999	
1,670		Plant & Vehicles	5,225	
9		ICT		
	2,599			6,224
	<u>63,416</u>	<b>Total Capital Expenditure</b>		<u>88,894</u>
		<b>Sources of Finance</b>		
26,540		Borrowing (internal & external)	21,814	
33,141		Grants	63,253	
		Other Contributions		
3,239		PFI and leases	3,248	
-		Revenue Contributions	186	
496		Use of Capital Receipts	393	
		Use of Reserves and Balances		
	<u>63,416</u>	<b>Total Financing</b>		<u>88,894</u>

This table gives details of capital spending by service, and how that spending was financed. The analysis above includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) set out in note 16.

Legislation requires REFCUS expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on Council Tax Payers. These items are generally expenditure on property not owned by the Authority. The capital financing requirement note below includes provision for this expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 26, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2020/21 £000s		2021/22 £000s
989,414	Property, Plant & Equipment and Intangible Assets	1,026,178
4,937	Assets held for sale	4,157
994,351	Total Assets to be funded	1,030,335
(196,750)	Revaluation Reserve	(217,297)
(462,125)	Capital Adjustment Reserve	(468,110)
335,476	<b>Capital Financing Requirement 31 March</b>	<b>344,928</b>
(22,289)	Less Long Term PFI Liability	(20,537)
(2,662)	Less Obligations under Finance Leases	(2,199)
310,525	<b>Underlying Borrowing Requirement 31 March</b>	<b>322,192</b>

2020/21 £'000		2021/22 £'000
17,639	Effect on the underlying need to borrow	11,667
17,639		11,667

### 28. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2021/22 and earlier years, which were not completed by 31 March 2022. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

Figures quoted for the previous year are the commitments on incomplete schemes as at that Balance Sheet date and not an analysis of cumulative expenditure against those projects at that date.

2020/21 £'000		2021/22 £'000
	<b>Children's Services</b>	
344	Pimperne Primary School replacement	322
584	Twynham Primary	584
759	Wimborne First	473
1,319	Ferndown First School	971
2,150	Woodroffe School	136
-	Beaucroft 6th Form accomodation	3,787
-	St Marys School Shaftesbury	1,548
-	Residential Sufficiency	953
	<b>Adult &amp; Community Services</b>	
-	8 The Plocks Blandford	107
	<b>Whole Authority</b>	
-	Superfast Phase 3 & 4 Broadband	4,598
1,317	Ultrafast Broadband	2,400
3,703	DEFRA	-
	<b>Place Directorate</b>	
2,761	Weymouth Relief Road	2,702
-	Gillingham Principal Street	2,875
308	Bridport Highways Depot	276
131	Durlston Pleasure Grounds	88
3,442	Dorset Innovation - MOD	526
-	Dorset Innovation Park - Infrastructure	3,134

## NOTES TO THE FINANCIAL STATEMENTS

### 29. Asset register

The following table analyses the numbers and values of major non-current assets owned by the Council.

No	2020/21			2021/22		
	No	£'000		No	£'000	£'000
47	4,683		<b>Intangible Assets</b>	<b>52</b>	<b>3,831</b>	<b>3,831</b>
			<b>Operational Assets</b>			
526	140,095		Land	<b>538</b>	<b>143,243</b>	
394	272,049		Buildings	<b>427</b>	<b>258,035</b>	
48	11,003		Farms - Land	<b>50</b>	<b>10,954</b>	
41	8,216		Farms - Buildings	<b>40</b>	<b>11,789</b>	
2	1,302		Leased buildings	<b>2</b>	<b>1,235</b>	
1	5,380		PFI Land	<b>1</b>	<b>7,458</b>	
1	18,799		PFI buildings	<b>1</b>	<b>19,208</b>	
						<b>451,922</b>
648	15,741		Vehicles	<b>651</b>	<b>16,870</b>	
15	308		Leased vehicles	<b>15</b>	<b>103</b>	
17	85		Plant	<b>17</b>	<b>59</b>	
214	586		Furniture & Fittings	<b>213</b>	<b>459</b>	
173	9,091		Equipment	<b>181</b>	<b>8,286</b>	
						<b>25,776</b>
29	423,214		<b>Infrastructure Assets</b>	<b>29</b>		<b>437,158</b>
33	11,678		<b>Community Assets</b>	<b>33</b>		<b>11,919</b>
1	3,250		<b>Heritage Assets</b>	<b>1</b>		<b>3,194</b>
			<b>Non-Operational Assets</b>			
445	50,090		Assets under construction	<b>554</b>	<b>76,696</b>	
68	17,094		Surplus Assets	<b>78</b>	<b>18,876</b>	
9	4,937		Assets held for sale (current assets)	<b>8</b>	<b>4,157</b>	
						<b>99,729</b>
<b>2,712</b>	<b>997,601</b>			<b>2,891</b>		<b>1,033,529</b>

The Balance Sheet does not include schools where ownership rests with the Diocese, or Foundation Schools and other schools that have subsequently transferred to Foundation status, as the premises remain under the control of each Foundation. Academy schools are not on the Balance Sheet, but the land remains the property of the Council.

In addition to the above, the Council owns a number of sites which are held pending development or disposal. It is also responsible for the following infrastructure assets. Unclassified Roads do not include unpaved roads or green lanes.

2020/21		2021/22	
Km		Km	
369	Principal Roads	369	
1,493	Classified Roads	1,493	
1,936	Unclassified Roads	1,939	
<b>3,798</b>		<b>3,800</b>	

### 30. Components

As noted elsewhere in this document, component accounting has been applied prospectively from 1 April 2010. A policy for assessing the Authority's assets for componentisation was developed with the Valuations & Estates Team in 2010/11. This looked at componentising over a six-year period.

The depreciation included in the Comprehensive Income and Expenditure Statement on account of these components is £1573k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £406k (2020/21 = £1624k compared with £479k).

### 31. Heritage Assets

Dorset History Centre (DHC) is the home of the Joint Archives Service for Bournemouth, Christchurch & Poole Council and Dorset Council. The building is owned and maintained by Dorset Council but the revenue costs for the service are shared.

DHC holds the corporate archives of the two authorities along with a wide range of other public bodies and private institutions and individuals. Collection size varies from single items like a letter or title deed to several thousand boxes. In total we estimate the holdings to amount to over 1,070 cubic metres. Ownership of the collections is split between DC (its own archive but also all 'gifted' collections) and a wide range of corporate bodies and individuals.

The archive collections housed within the repository date back to 965, number over 9,700, and are made up of millions of individual items of paper, parchment, photographic (and other) images, maps, plans, volumes, digital and magnetic storage devices. The vast majority of material held by DHC is unique, i.e. no other copy exists and is therefore irreplaceable.

The Joint Archive Service also holds on behalf of Dorset Council many of the original historic title deeds for the Council's property holdings. Most of these deeds have been superseded by registration of the land titles with HM Land Registry but some of the deeds are of historical interest and it is important that they should continue to be held in controlled conditions within the Dorset History Centre.

The three repositories in which the collections are stored meet the requirements of the standard BS4971 (Conservation and Care of Archive and Library Collections). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipecard access. Only JAS staff and limited numbers of Registration staff can access them.

Placing a value on the collections is very difficult. In financial terms there are certainly items held here which would fetch many thousands, if not hundreds of thousands of pounds. However, the informational value and legal proof of millions of transactions is also huge, e.g. DC's corporate memory. Quantifying a monetary value would be extremely hard to do (and would come at a significant cost to the Council).



## NOTES TO THE FINANCIAL STATEMENTS

There is no insurance held for the archive collections. This is quite standard for archive services where the security and integrity of the building itself, is the de facto insurance. Our Terms of Deposit state that the DHC does not insure collections and that insurance is the responsibility, if desired, of the owner of the records.

The Council also has the Old Crown Court and Cells, which are contained within the former Council's main office building in Dorchester, Stratton House. These are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The Council does not consider that reliable cost or valuation information can be obtained for the historic fittings within the courtroom. This is because of the diverse nature of the assets held and the lack of comparable market values.

The Chairman's chain of office has some historical interest being the chain of office of the former County Council. The chain is an operational asset in that it is worn by the Chairman of Council at meetings of the Full Council and at civic and ceremonial events when they represent the Council.

Similarly the Council's seal is an operational asset but is of historic interest. As the seal is applied and witnessed to execute deeds on behalf of the Council its value is in the ability to create documents that are legally binding on the Council. The seal is therefore kept in the custody of the Monitoring Officer and must not leave the Council's offices.

### 32. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities which guides policy the way in which surplus cash is invested. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed.

The Council holds units in a number of pooled investment vehicles such as property funds, equity funds, corporate bonds funds and multi-asset funds.

### 33. Long-term debtors

An analysis of amounts due to the Council at 31 March 2022, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police expenditure prior to 1990, and is repayable by Dorset Police in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2020/21 £'000		2021/22 £'000
488	Other Local Authorities	419
5,073	Interest in Finance Leases	5,061
289	Interest in Operating Leases	289
4,786	Other	4,264
<u>10,636</u>		<u>10,033</u>

### 34. Inventories

The Council holds a number of stocks and stores. Stock levels are regularly reviewed to ensure that only necessary stocks are held.

Equipment for disabled people issued under the pooled budget arrangement (detailed in Note 25 earlier in this document) has been included.

2020/21 £'000	Stocks	2021/22 £'000
538	Highways and Transportation	624
74	Fuel Scheme	74
154	DWP Inventories	145
585	Community Equipment Store	643
61	Moors Valley Country Park	63
-	Avon Heath Country Park Shop	8
19	Leisure Services	12
25	Bridport Harbour Shop	28
-	Lyme Regis Harbour Shop	11
12	Tourist Information Centres	-
<u>1,468</u>		<u>1,608</u>

### 35. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2022 is shown below.

2020/21			2021/22	
Debtors	Payments in advance		Debtors	Payments in advance
£'000	£'000		£'000	£'000
22,970	-	Central Government Departments	24,410	-
6,765	565	Other Local Authorities	9,145	25
4,654	-	Health	5,480	-
12,738	-	Collection Fund	11,518	-
22,223	11,505	Other	29,540	13,704
<u>69,350</u>	<u>12,070</u>		<u>80,093</u>	<u>13,729</u>

Following the introduction of IFRS 15 as from 1 April 2018, amounts included in debtors for contract receivables are as follows:

2020/21 £'000		2021/22 £'000
1,100	Adult & Community Services	2,668
1,451	Chief Executive's, Cabinet & Corporate	29
1,713	Place	1,235
28	Children's Services	1,580
22	Legal & Democratic	1
-	Partnerships	152
<u>4,314</u>	Total	<u>5,665</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £87m may fall due to Dorset Council in respect of Section 106 (of the Town and Country Planning Act 1990) planning and CIL (Community Infrastructure Levy) agreements.

These amounts are not due, yet, but will accrue in future in line with the progress made on the developments covered by individual agreements.

### 37. Assets held for sale

As set out in the Accounting Policies section of this document, assets that meet the criteria are required to be accounted for and reported as being held for sale. Dorset Council had the following properties which met these criteria at the Balance Sheet date:

Property	2021/22 £'000
Christchurch Adult Learning Centre	2,000
Access Road & Licences for 139-189 Chickerell Road	90
9 High Street, Fortuneswell	28
Land at Chafeys Roundabout and adjacent first sect	250
Bridport Social and Education Centre - Land	1,650
Fairfield Day Centre	139
	<b>4,157</b>

### 38. Cash and cash equivalents

Cash and cash equivalents comprises balances held in bank current accounts, plus same-day notice interest-earning deposit accounts and same-day notice low volatility money market funds.

### 39. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2022 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2020/21		Analysis of Loans by maturity	2021/22	
PWLB £'000	Other £'000		PWLB £'000	Other £'000
21,101	21,095	<b>Short Term Borrowing</b> (less than 1 year)	<b>1,133</b>	<b>3,204</b>
1,083	-	Between 1 and 2 years	-	-
10,000	-	Between 2 and 5 years	10,000	-
10,000	-	Between 5 and 10 years	10,000	-
-	19,500	Between 10 and 20 years	-	19,500
8,816	-	Between 20 and 30 years	23,816	-
33,000	15,000	Between 30 and 40 years	18,000	15,000
-	45,000	Between 40 and 50 years	-	45,000
-	36,600	More than 50 years	-	36,600
62,899	116,100	<b>Long Term Borrowing</b>	<b>61,816</b>	<b>116,100</b>
108,020	199,969	<b>Fair Value of Borrowing</b>	<b>76,207</b>	<b>156,960</b>
3.94%	3.23%	Average rate of interest	<b>4.13%</b>	<b>3.67%</b>

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 26, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

### 40. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2022 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2020/21			2021/22	
Creditors £'000	Receipts in advance £'000		Creditors £'000	Receipts in advance £'000
30,918	662	Central Government Departments	34,585	2,813
5,423	37	Other Local Authorities	4,191	95
10,174	-	Health	14,433	-
23,023	-	Collection Fund	34,749	-
57,887	14,830	Other	70,329	12,157
127,425	15,529		<b>158,287</b>	<b>15,065</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Provisions

The Council self-insures most of its insurance claims, funding these internally. Interest is earned on the balances held until they are required. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions at 31 March 2022 are as follows:

	Balance 1 April 2021 £'000	Income £'000	Payments and / or Transfers £'000	Balance 31 March 2022 £'000
Misc Provisions	892	107	889	110
NNDR backdated appeals provision	12,379	12,885	14,531	10,733
General Insurance Provision	4,078	4,474	6,653	1,899
	<b>17,349</b>	<b>17,466</b>	<b>22,073</b>	<b>12,742</b>

### Triggering of the Scheme of Arrangement for MMI

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business.

Since going into run-off in September 1992 numerous business and corporate disposals have taken place including the right to seek renewal of the larger part of MMI's direct personal and commercial lines insurance business to Zurich Insurance Company along with a number of MMI's assets and many members of its staff.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 (now 899 of the Companies Act 2006) which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. As a result, the Scheme of Arrangement was triggered and the Scheme Administrator, Gareth Hughes, has taken over the management of the business of the Company. Any queries in relation to the Scheme of Arrangement should be referred in the first instance to the Company at its registered office.

Following the triggering of the scheme, the Scheme Administrator conducted a financial review of the Company and concluded that a 15% levy would be necessary. For Dorset Council, this was around £405k. Dorset Council has met the initial levy request of £405k. In May 2016 notification was received that the levy has been raised to 25% and a further demand of £272k was received. The levy currently remains at 25%.

Following the updated Levy of 25% imposed on Scheme Creditors from 1 April 2016 in accordance with the Levy Notices, the Company will continue to pay claims at 75% of the agreed settlement amount for affected Scheme Creditors, and pay claims at 100% for non-Scheme Creditor policyholders.

Solvency II came into force on 1 January 2016. The directors are confident that the Company will continue to meet its regulatory requirements in the future. On an annual basis the group will publish quantitative and qualitative information on Solvency II in a Solvency and Financial Condition Report (SFCR).

On 1 April 2019 as a result of LGR Dorset Council found itself liable for the liabilities held by the District and Borough Councils and this resulted in an additional payment of £56,188 to the MMI scheme. As of 31 March 2022 Dorset Council currently has seven historic claims with MMI holding a combined reserve of £466,969. The reserve has increased from £215,870 as at 31 March 2021 due to a number of historic claims being received during 2021/22.

The Insurance fund has set aside a reserve in respect of a potential 100% claw-back by MMI and further future claims totalling £1.0m.

### NNDR Appeals Provision

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding rate payers who have successfully appealed against the rateable value of their properties on the rating list.

### 42. Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, which are at this stage unquantifiable and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

### 43. Trust funds and bequests

The Council administers a number of funds which have been established by gift or bequest. The bequests are for the benefit of certain Social Care or Library service users. These funds are held by the Council as trustees and are summarised below.

	Balance 1 April 2021 £'000	Income £'000	Expenditure £'000	Balance 31 March 2022 £'000	Capital 31 March 2022 £'000
B Norwood Bequest	2	-	-	2	63
T Elliott Bequest	1	-	-	1	54
M Dorling Bequest	1	-	-	1	67
	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>184</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital control system.

2020/21 £'000		2021/22 £'000
480,758	Balance brought forward	462,125
(50,072)	Depreciation & Impairment	(50,993)
(2,113)	REFCUS	(9,361)
(2,453)	Net gains/(losses) on disposal of non-current assets	(2,863)
(12,202)	Net gains/(losses) on disposal of Academy assets	(10,606)
14,570	Minimum Revenue Provision	15,976
-	Capital Expenditure Charged to the General Fund	186
33,141	Release of Government Grant	63,253
496	Use of Capital Receipts	393
<u>462,125</u>	Balance carried forward	<u>468,110</u>

### 45. Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a creditor in the Balance Sheet. As with other changes in creditors, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2020/21 £'000		2021/22 £'000
	Opening balance	(7,484)
4,891	Reverse previous year provision	7,484
(7,484)	Current year provision	(6,769)
	(Charge)/credit to I&E	714
<u>(2,593)</u>	Closing balance	<u>(6,769)</u>
<u>(7,484)</u>		

### 46. Capital Grants Unapplied Account

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2020/21 £'000		2021/22 £'000
51,193	Balance brought forward	84,979
71,337	Receipts	74,695
-	Notional Interest	74
(33,141)	Transferred to Capital Adjustment Account	(63,253)
(4,410)	Adjusted to revenue reserves	(2,087)
<u>84,979</u>	Balance carried forward	<u>94,408</u>

### 47. Revaluation Reserve

This account records the net gain (if any) from revaluations made after 1 April 2007 from holding non-current assets.

2020/21 £'000		2021/22 £'000
183,125	Balance brought forward	196,750
25,634	Revaluation gains on property, plant & equipment	29,467
(5,687)	Charges for depreciation & Impairment of non-current assets	(7,391)
(1,313)	Net (gains)/losses on disposal of non-current assets	(225)
(5,009)	Net (gains)/losses on disposal of Academies	(1,304)
<u>196,750</u>	Balance carried forward	<u>217,297</u>

### 48. Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account comprises the accumulated unrealised gains or losses made by the Council arising from changes in the fair value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is increased when investments are revalued upwards, and the balance is reduced when investments are revalued downwards or disposed of and the gains are realised.

2020/21 £'000		2021/22 £'000
(5,629)	Balance brought forward	3,642
9,271	Gains/(Losses) on revaluation of investments	4,279
<u>3,642</u>	Balance carried forward	<u>7,921</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 49. 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.

2020/21 £'000		2021/22 £'000
(13,785)	Balance brought forward	(13,187)
322	Release of deferred premia	322
276	Soft Loan Interest Adjustment	(2)
<u>(13,187)</u>	Balance carried forward	<u>(12,867)</u>

### 50. Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme. The credit balance reflects 2018/19 receipts being used to finance the programme.

2020/21 £'000		2021/22 £'000
(325)	Balance brought forward	3,599
4,432	Net (gains)/losses on disposal of non-current assets	1,404
(12)	Usable Capital Receipts funding revenue income from finance leases	(12)
(496)	Use of Capital Receipts to finance new capital expenditure	(393)
<u>3,599</u>	Balance carried forward	<u>4,598</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 51. Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes, which are reviewed at least twice yearly, as follows: -

	Balance 1 April 2021 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2022 £'000
<b>General Fund</b>				
(a) Financial strategy	29,694	9,439	(21,645)	17,487
(b) PFI Reserves	8,357	297	(927)	7,727
(c) Insurance Reserve	6,097	3,876	(3,603)	6,370
(d) Trading Account Reserves	265	40	(12)	293
(e) Transformation Fund	7,605	-	(1,806)	5,800
(f) Other Reserves	12,117	4,534	(6,945)	9,707
(g) Repairs & maintenance	177	157	(189)	145
(h) Unused Grant Funds	19,767	24,293	(7,202)	36,858
(i) Infrastructure related	8,109	4,717	(858)	11,966
(j) Innovation	834	72	(123)	783
<b>Sub-total</b>	<b>93,022</b>	<b>47,425</b>	<b>(43,310)</b>	<b>97,136</b>
(k) Collection Fund	40,597	1,366	(602)	41,360
(l) Public Health inc Covid funding	11,859	2,156	(6,010)	8,004
(m) DSG recovery plan funding	-	20,000	(10,000)	10,000
(n) Covid	1,077	1,021	(804)	1,294
<b>Total Revenue Reserves</b>	<b>146,555</b>	<b>71,968</b>	<b>(60,726)</b>	<b>157,794</b>

#### (a) Financial strategy

This reserve provides support to balance the Council's financial strategy over the five-year planning period and underpins any risks of overspend in the current year caused by volatility of sensitive budget assumptions. The updated Dorset Council financial strategy statement was updated and presented to Cabinet on 21 June 2022.

#### (b) PFI reserves

These reserves are sinking funds held for replacement furniture and equipment, and to cover additional costs of any future legislative changes.

#### (c) Insurance reserve

This is in addition to the provision referred to above, to cater for any claims not covered by that sum.

#### (d) Trading Account reserves

The balance held in this reserve represents retained surpluses from traded services which are reinvested in future services.

#### (e) Transformation fund

This reserve was set up to fund investment expenditure that would generate reductions in revenue costs.

#### (f) Other reserves

Various reserves to cover partnership working, one-off activities or smooth future cost pressures or activities that may be required where a grant or budget may not be available. The reserve also covers the risks of cost overruns on projects, costs that are contingent upon project outcomes and potential conversion of schools to sponsored academies.

#### (g) Repairs & maintenance

This is a reserve to provide short-term support for the revenue budget for repairs and maintenance.

#### (h) Unused grant funds

Various reserves to fund future expenditure where the received grant for the work or service has not been fully utilised in the year.

#### (i) Infrastructure

Various reserves to cover infrastructure development in the area.

#### (j) Innovation

Associated reserves linking to Enterprise Zone and related business park developments.

#### (k) Collection fund

This reserve is used for collection fund accounting adjustments as required by the CIPFA code. This includes £29.2m of Section 31 funding to cover business rate relief to retail, hospitality and leisure services.

#### (l) Public Health

Reserved underspends from the Public Health grant, to cover any future related Public Health activity or budget pressures that may arise and associated Covid related grants (Contain Outbreak Management)

#### (m) DSG recovery plan funding

Reserve specific for the Dedicated Schools Grant recovery plan. £20m was allocated as part of the plan. £10m was used in 2020/21, the remaining funding to be allocated as part of the agreed safety valve plan.

#### (n) Covid

Reserve specific for Covid related Council activities (excludes Public Health related activity, captured under (l))

## NOTES TO THE FINANCIAL STATEMENTS

### 52. Movement in balances

Total balances increased by £3.8m during the year to £42.7m. There is more information on reserves and balances in the Narrative Statement.

2020/21		2021/22		Total £'000
£'000		General £'000	LMS* £'000	
30,771	Brought forward	31,515	7,426	<b>38,941</b>
(2,572)	Use in year	-	(7,426)	<b>(7,426)</b>
10,742	Additions/outturn	1,679	9,550	<b>11,229</b>
<b>38,941</b>	Carried Forward	<b>33,194</b>	<b>9,550</b>	<b>42,744</b>

\* LMS - balances held on behalf of schools under the scheme for Local Management of Schools.

### General Fund Balance, Schools and Earmarked Reserves

The table below sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in the year. The table shows the movement on all revenue balances and reserves in the year.

	Balance at 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves	107,218	(47,542)	86,878	146,554	(50,726)	51,966	<b>147,794</b>
Dedicated Schools Grant High Needs & Special Education Needs and Disabilities	(21,803)	(115)	21,918	-	(10,000)	20,000	<b>10,000</b>
	85,415	(47,657)	108,796	146,554	(60,726)	71,966	<b>157,794</b>
Balances held by schools under a scheme of delegation	2,572	(2,572)	7,426	7,426	(7,426)	9,550	<b>9,550</b>
Retained Schools balances	-	-	-	-	-	-	-
<b>Total Earmarked Reserves including Schools</b>	<b>87,987</b>	<b>(50,229)</b>	<b>116,222</b>	<b>153,980</b>	<b>(68,152)</b>	<b>81,516</b>	<b>167,344</b>
General Fund (not earmarked)	28,199		3,316	31,515	-	1,679	<b>33,194</b>
<b>Total General Fund, Schools and Earmarked Reserves</b>	<b>116,186</b>	<b>(50,229)</b>	<b>119,538</b>	<b>185,495</b>	<b>(68,152)</b>	<b>83,195</b>	<b>200,538</b>

### 53. Movement on the General Fund Balance

Amounts charged in the Comprehensive Income and Expenditure Statement now use essentially the same accounting conventions as private companies, i.e. International Financial Reporting Standards. The surplus or deficit on the Comprehensive Income and Expenditure Statement is the IFRS measure of a body's financial performance.

However, in determining a Local Authority's budget requirement and movement on the General Fund (and hence the level of Council Tax), there are other items which must be taken into account in accordance with statutory or non-statutory proper practices.

Amounts included in the Comprehensive Income and Expenditure Statement in accordance with IFRS, but which are excluded when determining the movement on the General Fund, are depreciation and impairment of non-current assets, deferred charges, the net gain or loss on the sale of non-current assets and adjustment to pensions costs in accordance with IAS19.

Amounts not included in the Comprehensive Income and Expenditure Statement, but which are required to be included when determining the movement on the General Fund, are the statutory provision for the repayment of debt, capital expenditure charged to the General Fund and any transfer to or from earmarked reserves. These additional amounts are included in the calculation of the Statement of Movement in Reserves, and summarised in the notes to the Expenditure and Funding Analysis.

# NOTES TO THE FINANCIAL STATEMENTS

## Notes to the Cash Flow Statement

### 54. Movement in cash and cash equivalents

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2020/21			2021/22	
£'000	£'000		£'000	£'000
	8,170	<b>Net surplus/(deficit) to General Fund</b>		<b>3,803</b>
		Movement in accruals items:-		
(290)		Long Term Debtors	603	
(92)		Stocks	(140)	
(13,562)		Debtors	(12,402)	
41,852		Creditors	30,398	
(4,648)		Provisions	(4,607)	
	23,260			13,852
		Movement in non-cash items :-		
23,497		Collection Fund Adjustment Account	(20,773)	
61,139		Earmarked Reserves	11,240	
3,924		Capital Receipts Reserve	999	
(60,605)		Other non-cash items	58,305	
	27,955			49,771
		Movement in financing items:-		
5,000		Short Term Borrowing	(37,859)	
(3,038)		Long Term Borrowing	(3,298)	
(9,318)		Short Term Lending	(60,641)	
53		Long Term Lending	(3,369)	
	(7,303)			(105,167)
	52,082	<b>Increase/(Decrease) in Cash</b>		<b>(37,741)</b>

### 55. Movement in net funds

Net funds are cash and other liquid resources (e.g. temporary investments), less borrowings.

	Balance 2020/21 £'000	Balance 2021/22 £'000
Cash in hand and at bank	83,619	45,878
Temporary investments and borrowing	22,704	121,205
Leases, PFIs & Other	(25,008)	(22,793)
Long Term Investments	20,414	23,783
Long Term Borrowing	(178,999)	(177,916)
	<u>(77,270)</u>	<u>(9,843)</u>

### 56. Movement in liquid resources

Liquid resources are current assets, other than cash and cash equivalents, that are readily convertible into known amounts of cash.

2020/21 £'000		2021/22 £'000
55,582	Temporary Investments as at 1 April	64,900
-	Transfer (to)/from long-term investments	-
9,318	Increase / (Decrease) in Loans in the Period	60,641
<u>64,900</u>	Temporary Investments as at 31 March	<u>125,541</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 57. Critical accounting judgements

In applying the accounting policies set out in this document, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

#### (i) (a) Asset classifications, valuations and useful lives

The Council has made judgements on whether assets are classified as investment property, property, plant and equipment or assets held for sale. These judgements are based on the principal reason for the Council holding that asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council it is deemed to be property, plant and equipment. If there is no subsidy and/or full market rent is being charged, or the property is held purely for capital appreciation purposes, this would indicate that the asset is an investment property. Where assets are held only because they have not yet been sold, but an active disposal process is in place, the property is deemed to be an asset held for sale. The classification determines the valuation and depreciation method used and drives the useful economic life.

#### (ii) Lease classifications

The accounting treatment for operating and finance leases is significantly different and could have a material effect on the accounts. The Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

The introduction of IFRS 16 (the international financial reporting standard for leases) means that the Council will be required to review and potentially change some of its current treatment of leases, so there is greater consistency between items that are currently deemed to be either finance leases or operating leases. In future, almost all leases lasting more than one year will need to be shown on the Balance Sheet. This could have a material impact on the value of assets reported on the Council's Balance Sheet when the new standard is incorporated into the Code in 2024/25 Code, with the Code for 2022/23 and 2023/24 allowing optional early adoption.

#### (iii) Providing for potential liabilities

The Council has given consideration to and made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending legal actions based on experience in previous years or in other local authorities.

The Council applies a series of tests, on an annual basis, to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement to produce consolidated accounts. The Council has assessed its current portfolio of arrangements as immaterial for the purposes described and group accounts are therefore not produced. Information about joint venture arrangements and other related parties is disclosed elsewhere in this document.

### 58. Assumptions about future funding

For 2022/23, the Council has set a net budget of £331.6m, funded from general grants (£6.3m), business rates (£46.3m) and council tax (£279m), meaning a band D council tax charge of £1,832.67.

A three-year settlement has long been anticipated but there is no clarity at this time over whether funding for 2023/24 will be another single-year deal or a three-year arrangement. Concern therefore remains around future funding levels and ability to plan for the longer term. The Council therefore continues with its transformation programme and more of the work being done is shared in Cabinet reports available on the Dorset Council website, this work taking even more importance now that the reviews of fair funding and business rates appear still to be some way from concluding.

When setting the budget, the Chief Finance Officer is required to give assurances around the level of reserves. As well as doing this while setting the budget, much work has been done on the reserves strategy which was approved by Cabinet on 22 June 2021 and which is set out in the Cabinet outturn report that was considered by members on that day. Whilst Dorset Council's reserves would provide for some mitigation of the volatility in the operating environment, this would only be temporary and Government is urged to work with local government and other partners, to find a longer-term solution to social care funding, fair funding, business rates retention and the pressures on SEND cost, particularly through the High Needs Block of the Dedicated Schools Grant.

Work is currently under way to refresh the Council's medium-term financial plan as the organisation's budget strategy process gathers pace for 2023/24. More information can be found in update reports to the Cabinet as the year progresses.

## NOTES TO THE FINANCIAL STATEMENTS

### 59. Sources of estimation uncertainty

The financial statements include some figures that are estimates, 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 best professional judgements of the future. However, amounts cannot be expressed with absolute certainty, so actual results could differ from these estimates.

There is one item in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year and that is the pension 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 Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Council therefore discloses information about the fund at various relevant points, throughout this document.

### 60. Business Improvement Districts

The Council acts as an agent, collecting Business Improvement District (BID) levy income on behalf of four BIDs and distributing this income to each of them when requested by the Board. The Council maintains separate accounts for the transactions relating to each BID and these are not included in the Council's Comprehensive Income and Expenditure Statement.

The balances as at 31 March 2022 relating to the BIDs are as shown below.

	Credits from previous years £'000	Levy Income raised £'000	Amounts paid to the BID £'000	Amounts written off £'000	Refunds £'000	Provision for bad debts £'000	Balance on the Account £'000
Wimborne	(8)	(100)	98	-	-	2	(8)
Ferndown & Uddens	(5)	(127)	126	-	-	3	(3)
Dorchester	(16)	(115)	128	-	-	(1)	(4)
Weymouth	(17)	(288)	286	-	-	(36)	(55)
<b>Total</b>	<b>(46)</b>	<b>(630)</b>	<b>638</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(70)</b>

### 61. Collection Fund Adjustment Accounts

The Council Tax Collection Fund Adjustment Account holds the movement between the Council Tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2020/21 £'000		2021/22 £'000
(291)	Balance brought forward	(2,593)
(2,302)	Movement in year	7,446
<u>(2,593)</u>	Balance carried forward	<u>4,853</u>

The Non-Domestic Rates (NDR) Collection Fund Adjustment Account holds the movement between the NDR income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2020/21 £'000		2021/22 £'000
(624)	Balance brought forward	(21,819)
(21,195)	Movement in year	13,327
<u>(21,819)</u>	Balance carried forward	<u>(8,492)</u>

A deficit of £22m on the NDR collection fund for 2020/21 is mainly due to the additional retail, hospitality and leisure grants awarded to businesses as a result of the Covid pandemic. These are fully funded by central government via a (S31) grant which is captured and reported within the Earmarked Reserves note.

## 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).

	2020/21			2021/22		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>INCOME</b>						
Council Tax	316,841		316,841	337,904		<b>337,904</b>
Council Tax S13A(1)C Relief	1,782		1,782	191		<b>191</b>
Non-Domestic Rates		48,858	48,858		77,543	<b>77,543</b>
<b>TOTAL INCOME</b>	<b>318,623</b>	<b>48,858</b>	<b>367,481</b>	<b>338,095</b>	<b>77,543</b>	<b>415,638</b>
<b>PRECEPTS / NDR DISTRIBUTION</b>						
Central Government		48,293	48,293		50,207	<b>50,207</b>
Dorset Council	251,525	47,327	298,852	263,919	49,203	<b>313,122</b>
Dorset Police Authority	35,705		35,705	37,908		<b>37,908</b>
Dorset Fire Authority	11,333	966	12,299	11,551	1,004	<b>12,555</b>
All Parishes	15,899		15,899	16,338		<b>16,338</b>
<b>PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED</b>						
Central Government		(2,128)	(2,128)		(23,739)	<b>(23,739)</b>
Dorset Council		(2,086)	(2,086)	(674)	(23,264)	<b>(23,938)</b>
Dorset Police Authority			-	(90)		<b>(90)</b>
Dorset Fire Authority		(43)	(43)	(29)	(475)	<b>(504)</b>
<b>ALLOWANCES TO CHARGING AUTHORITY</b>						
Non-Domestic Rate Cost Of Collection		619	619		625	<b>625</b>
Transitional Protection Payments		30	29		(235)	<b>(235)</b>
Renewable Energy Scheme		645	645		773	<b>773</b>
Enterprise Zones		18	18		54	<b>54</b>
<b>PROVISION FOR APPEALS</b>						
Increase/(Decrease) To Provision		(6,000)	(6,000)		(3,359)	<b>(3,359)</b>
<b>PROVISION FOR BAD DEBTS</b>						
Increase/(Decrease) To Provision	6,869	5,193	12,062	413	56	<b>469</b>
<b>TOTAL DEDUCTIONS</b>	<b>321,331</b>	<b>92,834</b>	<b>414,164</b>	<b>329,336</b>	<b>50,850</b>	<b>380,186</b>
Surplus / (Deficit) Arising In Year	(2,708)	(43,976)	(46,684)	8,759	26,693	<b>35,452</b>
Balance B/F 1st April	(342)	(428)	(770)	(3,049)	(44,404)	<b>(47,453)</b>
Balance C/F 31st March	(3,050)	(44,404)	(47,454)	<b>5,710</b>	<b>(17,711)</b>	<b>(12,001)</b>

## NOTES TO THE COLLECTION FUND

### 1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2021/22, 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)	14.9	5/9	8.3
A	11,534.3	6/9	7,689.5
B	21,888.9	7/9	17,024.7
C	33,390.3	8/9	29,680.3
D	31,097.7	9/9	31,097.7
E	24,928.4	11/9	30,468.0
F	14,249.3	13/9	20,582.3
G	7,344.9	15/9	12,241.5
H	604.3	18/9	1,208.6
	<b>145,053.0</b>		<b>150,000.9</b>
<b>Class O exempt dwellings</b>			739.9
<b>Council Tax Base for Revenue Support Grant Purposes</b>			<b>150,740.8</b>
<b>Reduction due to the Council Tax Reduction Scheme</b>			<b>(2,421.1)</b>
<b>Council Tax Base for Council Tax Setting Purposes</b>			<b>148,319.7</b>

### 2. INCOME FROM BUSINESS RATEPAYERS

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

	2020/21	2021/22
Rateable value at year-end	288,911,365	289,914,342
National Multiplier	51.2p	51.2p
Small Business Multiplier	49.9p	49.9p

### 3. ALLOCATION OF COLLECTION FUND SURPLUS

	COUNCIL TAX £'000	NDR £'000	TOTAL £'000
Central Government	-	(8,855)	(8,855)
Dorset Council	4,853	(8,679)	(3,826)
Dorset Police Authority	658	-	658
Dorset Fire Authority	199	(177)	22
<b>Total Deficit As At 31 March 2022</b>	<b>5,710</b>	<b>(17,711)</b>	<b>(12,001)</b>

## **Dorset Council Accounting Policies**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act as they apply to Local Authorities in England.

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed and the accounts include relevant accruals.

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

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, except where disclosed otherwise in accounting policies or notes, or where required by International Financial Reporting Standards (IFRS).

Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories; and certain financial assets, liabilities and instruments.

The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The Council's policy is that revenues are recognised when they are realisable and are earned (usually when goods are transferred or services rendered), no matter when cash is received.

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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.

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest (e.g. for finance leases) are reported in service accounts. An analysis of all interest payable is disclosed in the notes to the Financial Statements.

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.

### **3. 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **4. 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.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

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.

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

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

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 authority's financial position or financial performance. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

### **5. 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 non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**6. COUNCIL TAX AND NON-DOMESTIC RATES**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

For council tax, the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

For NDR, this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

**Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**7. EMPLOYEE BENEFITS****Benefits Payable During Employment & Termination Benefits**

Salaries, wages and employment-related payments and any termination benefits are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services, in accordance with International Accounting Standard 19 (IAS 19).

**Post-employment Benefits**

The cost of pensions is accounted for in accordance with IAS 19.

The net total of the following amounts is recognised in the Surplus or Deficit on the Provision of Services except to the extent that the Code requires or permits their inclusion in the cost of an asset:

- a) current service cost
- b) interest cost
- c) the expected return on any plan assets and on any reimbursement right recognised as an asset
- d) past service cost
- e) the effect of any curtailments or settlements
- f) actuarial gains and losses.

**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 (including teachers) 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.

The accounting treatment for employee benefits is in accordance with CIPFA Code guidance.

## **8. EVENTS AFTER THE BALANCE SHEET DATE**

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. The nature and estimated financial effect of non-adjusting events is disclosed in the Financial Statements if material and it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

## **9. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority 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 (CIES) 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.

### **Short-term financial liabilities**

Short-term liabilities including short-term borrowing and trade payables are carried at fair value.

### **Long-term financial liabilities**

Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

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



### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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 CIES.

### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL 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 fair value.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

### 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 and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains 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.

### 10. FOREIGN CURRENCY TRANSLATION

In accordance with IAS 21, income and expenditure arising from transactions in foreign currency are translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 11. 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

### Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council.

A BID scheme has operated within Wimborne since 1st August 2011 and in Ferndown & Uddens since 1 September 2014. BIDs are funded through a levy paid by non-domestic ratepayers within the BID area. The Wimborne BID is delivered by Wimborne BID Limited and the Ferndown & Uddens BID is delivered by Ferndown & Uddens BID Limited, each with its own Board of Directors. The Council, in its capacity as the billing authority for the area, is acting as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated. The transactions relating to the Wimborne and Ferndown & Uddens BIDs are not included in the Council's Comprehensive Income and Expenditure Account, but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the Wimborne and Ferndown & Uddens BIDs are disclosed in notes to the Financial Statements.

Another BID scheme applies to the Dorchester Town Council area and is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## 12. HERITAGE ASSETS

FRS 30 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

Dorset Council has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture.

Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS 30 and the Code (4.10.2.7) do not apply to such assets.

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS 30. The standard states that the valuation may be made by any method that is appropriate and relevant. Buildings are valued at depreciated replacement cost. Other Heritage assets are not deemed to have a material value and the cost involved in valuing them would be disproportionate to the benefit received by the users of these Financial Statements.

Dorset also owns significant volumes of archive information and collections. These are not included in the Balance Sheet as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

## 13. INTANGIBLE ASSETS

### i Recognition

Expenditure on the purchase of computer software licences is capitalised as intangible non-current assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in IAS 38; there are no such assets for Dorset Council.

### ii Measurement

Purchased intangible assets are capitalised at cost, and are unlikely to be revalued unless there is a readily ascertainable market value.

**iii Amortisation**

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are amortised over periods ranging up to five years.

**iv Charges to revenue**

Capital charges to services are for depreciation or impairment. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

**v Impairment**

Impairment of intangible assets is taken to the Revaluation Reserve in the first instance, and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero.

**vi Reversal of impairment**

Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

**14. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council reviews its interests in companies and other entities that have the nature of joint ventures and could require it to prepare group accounts. This position is reviewed and updated on an annual basis. In the authority's own single-entity accounts, the interests in companies and other entities would be recorded as financial assets at cost, less any provision for losses.

If applicable, Dorset Council Group Accounts would be produced using the Equity Method of consolidation. The Dorset Council Group position would be shown either in separate, or alongside the Authority only single-entity Financial Statements.

If consolidated group accounts were required, disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

**15. INVENTORIES AND LONG-TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either FIFO or the weighted average costing formula dependent on the item being valued.

Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

**16. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

**17. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

**18. 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).

### Statements

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).

### 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 authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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 – applied to write down the lease debtor (together with any premiums received), and
- finance income (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 Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, 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 for 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 non-current 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.

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2022/23 accounts.

### **19. LEASE TYPE ARRANGEMENTS**

IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:

- (a) fulfilment of the arrangement depends on a specific asset
- (b) the arrangement conveys a right to control the use of the asset.

In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly. The Council has no such arrangements in place.

### **20. OVERHEADS AND SUPPORT SERVICES**

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

### **21. PROPERTY, PLANT & EQUIPMENT**

#### **i Recognition**

The Code requires Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS 13 and IAS 16.

A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

- (a) it is held for use in delivering services or for administrative purposes
- (b) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority
- (c) it has a useful economic life of more than one year
- (d) the cost of the item can be measured reliably.

The valuations have been undertaken in accordance with RICS Valuation Global Standards (The Red Book) and the RICS UK National Supplement 2018 (effective from January 2019) and the IFRS based Code of Practice on Local Authority Accounting 2021/22 (The Code).

Property, plant and equipment (PPE):

These assets form the majority of the Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others, but would not be held solely for that purpose or they would be re-classified as investment assets (INV).

PPE assets are tangible fixed assets that bring longer-term economic benefits or service potential to the authority

#### Property, plant and equipment - Surplus (PPES):

Surplus Assets are formerly PPE assets which have been declared surplus to service needs and the needs of the Council. These are non-operational assets which are yet to meet the criteria of asset held for sale (AHS).

#### Assets held for sale (AHS):

Assets held for sale is the next classification afforded to PPES assets which are being marketed for disposal. The asset must be immediately available for sale and the sale of the property must be highly probable and anticipated to be within a year. AHS should be measured at the lower of carrying amount and fair value less costs to sell.

**ii Measurement**

Assets will be valued to either Fair Value (FV) or Current Value (CV):

Fair Value (FV) - defined under IFRS as: 'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair Value applies to the measurement of PPES and AHS categories of assets. For most practical purposes the figure to be reported as the Fair Value of an asset is likely to be conceptually the same as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

Current Value (CV) – defined as: the amount that would be exchanged for the asset in its existing use. Several methods are identified as appropriate for arriving at a CV.

Existing Use Value (EUV) - is used where a readily identifiable active market exists for the use and utilises comparable data and judgement to arrive at the current value. EUV is defined as: The estimated amount for which a property should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology the 'instant build' approach is used. This method of valuation is applied to assets for which there is a good degree of observable specialisation or for which there is no readily reliable or observable market data. It should be noted that the DRC method of valuation does not represent the figure that could be achieved if the asset were to be placed on the market for sale. It is a representation of the value of the asset to the authority while it is providing service potential.

Where insufficient market-based evidence of current value is available because an item of property, plant and equipment is specialised and/or rarely sold, the Code permits the use of depreciated replacement cost (DRC).

Assets are re-valued with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the 2022 valuation report is prepared.

Comparable evidence, Building Cost Information Service (BCIS) build costs and Baseline build costs will be compiled and assessed and utilised as appropriate to provide the values for each asset. Dorset Property Buildings and Design services will be utilised to provide component details for each asset as required, including updates to previously componentised assets as required and where replacement of elements has occurred.

In respect of DRC valuations the Valuer will rely on projected BCIS data utilising the fourth quarter 2021 average prices index for the relevant class of asset. Due regard will be given to the Baseline cost directive where appropriate.

In respect of DRC calculations where multiple age buildings exist on one site, an average age and obsolescence factor will be applied, taking into account the age and type of structures and the anticipated replacement cycle of the asset as assessed by the service head/asset team.

Valuations of land may include calculations utilising a Residual Valuation approach to arrive at a Fair Value where there is limited suitable comparable data to available.

Section 2.10.2.29 of the Code iterates IFRS 13 in the provision of valuation hierarchy levels for assets classified as PPES and AHS to increase consistency and comparability in fair value measurements and related disclosures. These are categorised into three levels:



- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The assets valued in the 2022 valuation report are not identical and therefore hierarchy 1 reporting and disclosure is not possible. All assets held at PPES and AHS attract a hierarchy Level 2 unless specifically stated in the special assumptions of the 2022 valuation report.

Where the MV of an asset valued using the DRC method is:

- significantly lower than that attributed to the continued occupation and use by the Authority it will be noted in the notes section of the summary valuation.
- significantly higher for a readily identifiable use the value will also be given in the same notes section.

County Farms are categorised as Property Plant and Equipment (PPE) and have been valued on a EUV basis as tenanted farms to be re-let on a rolling and planned basis for the foreseeable future due to established Council policy drivers. There will be occasional rationalisation of farm units which may release additional value but which would not be appropriate to report against any of the assets due to the overriding principle of maintaining a County Farm asset base. The County Farms are valued using capitalised net income flows: this approach excludes any alternative use, FV basis or break-up value: if those policies were reversed all County Farms would display considerably higher FV figures

As part of the 2022 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

The valuation for all property assets is produced by an external professional RICS Accredited Scheme Valuer, Bruton Knowles, and reviewed in-house by one or more RICS Accredited Scheme Valuers within the Estates and Assets Service, with a valuation date of 1 January 2022. Some property assets and County Farms were valued in-house.

### **iii Impairment**

Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

### **iv Reversal of impairment**

Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

#### **v Disposals**

Capital receipts from the disposal of property and other assets owned by the Council, less up to 4% of the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the Council has started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget.

#### **vi Gains and losses on disposal of assets**

A gain or loss arises when the proceeds from the sale of an asset differ from the net book value of that asset in the Balance Sheet. The gain or loss is shown in the Other Operating Income & Expenditure section of the Comprehensive Income & Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

#### **vii Depreciation**

Tangible non-current asset depreciation is charged in the Comprehensive Income & Expenditure Statement where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties.

The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. Generally, vehicles and equipment are depreciated over periods of 2 to 10 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets. Infrastructure assets are treated on a pooled basis and are depreciated on a reducing balance basis.

#### **viii Charges to revenue**

Capital charges to services are for depreciation and/or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

#### **ix Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

#### **x Componentisation**

Component accounting has applied (prospectively) since 1 April 2010. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

The annual valuation exercise that is carried out by the Authority re-values a proportion of the Council's assets each year. A policy for assessing these assets for componentisation was developed with the Valuations & Estates Team and approved by the Auditors in 2010/11. All assets that are above the materiality threshold have now been componentised.

**xi Component derecognition**

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double-counting and the new component reflected in the carrying amount, subject to the recognition principles set out in accounting policy 25(i) and 25(ix). This includes derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

**xii Residual values**

The Council does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

**22. PRIVATE FINANCE INITIATIVE (PFI) SCHEMES**

The Council is party to two long-term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. The Council accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). Both schemes are recorded as assets in the Council's Balance Sheet with corresponding liabilities which are discharged over the period of the contract.

**23. 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 when the Council has an 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.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally. Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

**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 authority.

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.

#### **24. RESERVES**

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **25. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Where capital expenditure does not result in the acquisition of a non-current asset, or is incurred on an asset not belonging to the Council (such as a Voluntary Aided school), the project expenditure is charged directly to the relevant service in the year it is completed, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

#### **26. SCHOOLS**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

#### **27. VALUE ADDED TAX (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.

#### **28. FAIR VALUE MEASUREMENT**

The Council measures some of its non-financial assets such as surplus assets, and investment properties, and some of its financial instruments at fair value at each reporting date. 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 measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

When measuring the fair value of a non-financial asset, the Council 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 authority 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 Council'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 authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

**29. REDEMPTION OF DEBT**

The Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement as a Minimum Revenue Provision (MRP). How funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices, is reflected in the Statement of Movement in Reserves and disclosure notes to the accounts in relation to the Capital Adjustment Account and General Fund Balance. Details are shown in the notes to the Financial Statements.

**30. DONATED ASSETS**

Donated assets, transferred to the Council for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income & Expenditure Statement as income unless the transfer has a condition that the Council has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met. Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other non-current assets.

**31. ACQUIRED AND DISCONTINUED OPERATIONS**

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any 'machinery of government' changes are neither acquired nor discontinued operations. Similarly, activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

Notwithstanding this, there is a disclosure note to the accounts which provides information about schools which achieved/plan to achieve Academy status in 2021/22 and 2022/23.

**32. 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.



# **Annual Governance Statement**

**2021-22**

**Good Governance is about how the Council strives to do the right things, in the right way and for the benefit of the residents it serves.**

**PLEASE NOTE THAT MUCH OF THE DETAIL ON HOW YOUR COUNCIL OPERATES CAN BE FOUND IN THE LOCAL CODE OF CORPORATE GOVERNANCE THAT SUPPORTS THIS STATEMENT**

**Supported by:  
Appendix A – Local Code of Corporate Governance  
Appendix B – Summary of Extreme and High-Level Risks**

## Foreword

Dorset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

The Local Government Act 1999 sets out the Council's duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. This is reflected in our commitment to transformation and to being a learning organisation.

The Accounts and Audit Regulations (2015) also require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts. This document is the third such Annual Governance Statement for Dorset Council, following its inception on 1 April 2019.

The Chartered Institute of Public Finance and the Society of Local Authority Chief Executives (CIPFA/SOLACE) Delivering Good Governance publication (2016) describes principles of good governance to be applied in the public sector. This document and the review it contains are based upon the seven core principles that underpin the CIPFA/SOLACE governance framework.



**Matt Prosser**  
Chief Executive  
Dorset Council

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**Cllr Spencer Flower**  
Leader  
Dorset Council

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<b>Contents</b>		
<b>Ref</b>	<b>Description</b>	<b>Page</b>
<b>1</b>	<b>Key Elements of the Council's Governance Framework</b>	<b>4</b>
<b>2</b>	<b>Overview of Dorset Councils Governance framework</b>	<b>4</b>
<b>3</b>	<b>Leadership</b>	<b>5</b>
<b>4</b>	<b>COVID-19</b>	<b>9</b>
<b>5</b>	<b>Our Behaviours</b>	<b>10</b>
<b>6</b>	<b>Key Achievements during 2021-22</b>	<b>10</b>
<b>7</b>	<b>Review of Effectiveness</b>	<b>13</b>
<b>8</b>	<b>What actions have been taken in response to 2020-21 Annual Governance Statement</b>	<b>15</b>
<b>9</b>	<b>What actions will be taken in response to this 2021-22 Annual Governance Statement</b>	<b>17</b>
<b>10</b>	<b>Approval of the Annual Governance Statement 2021-22</b>	<b>18</b>



## 1. Key Elements of the Council's Governance Framework

- 1.1 The Governance Framework is comprised of the systems and processes, and culture and values, by which the Council is directed, and its activities through which it is accountable to, engages with and leads the community. 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 can therefore only provide reasonable and not absolute assurance of effectiveness.
- 1.2 The process of review and monitoring of governance arrangements across Dorset Council is an ongoing process with updates provided throughout the year. This Statement explains how the Council has complied with The Code and meets the requirements of Accounts and Audit (England) Regulations 2015 regulation 6, in relation to conducting a review of the effectiveness of the system of internal control and the publication of an annual governance statement.

## 2. Overview of Dorset Councils Governance framework

- 2.1 The sections below provide an overview of the Councils key governance arrangements.

<b>Council, Cabinet and Leader</b>	<p>The Full Council agrees the Constitution, a Policy Framework, the Budget and Corporate Plan and appoints the Leader. Within the framework set by the Council the Leader appoints a Cabinet and with the Cabinet exercises executive leadership that</p> <ul style="list-style-type: none"><li>• Provides leadership, approve the budget, develop, and set policy</li><li>• Approve the Constitution which sets out how the council operates</li><li>• Agree Corporate Plan priorities, developed in consultation with residents and stakeholders</li></ul>
<b>Decision making</b>	<p>All decisions made in compliance with law and council constitution. Overview Committees support the Cabinet in developing policy. Separation is maintained between executive (Cabinet and portfolio holder) decisions and non-executive decision making (for instance planning and licensing).</p> <p>All committee meetings are accessible to public, other than for exempt business. Committee meetings are now also streamed, providing greater transparency. Decisions are recorded on the council website</p>
<b>Scrutiny and review</b>	<p>The Scrutiny Committee structure review council policy and challenge decisions. The Audit and Governance Committee reviews governance; promotes and maintains high standards of conduct by councillors; and provides assurance on the internal control and risk frameworks.</p>
<b>Risk Management</b>	<p>A risk management framework sets out a clear approach to management of risks. Risk registers identify strategic, operational and project risks. Risk management is a process that aims to identify significant risks that may impact on the achievement of our objectives.</p>

### **3. Leadership**

- 3.1 The Head of Paid Service is the Chief Executive and is responsible for all Council employees.
- 3.2 The Executive Director for Corporate Development is the Council's Section 151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money. The Corporate Director Legal and Democratic is the Monitoring Officer and is responsible for ensuring legality and promoting high standards of conduct in public life.
- 3.3 Under Section 18(2) of the Children Act 2004, Local Authorities in England have a duty to appoint a Director of Children's Services. Local Authorities in England are also required to appoint a Director of Adult Services.
- 3.4 Alongside the officers detailed in 3.1 – 3.3, the Executive Director of Place, the Director of Public Health and (during 2020/21) the Corporate Director for Human Resources and Organisational Development comprise the Council's senior leadership team.
- 3.5 The Council's Constitution sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees, and partners. Decision making powers not reserved for councillors are delegated to chief officers. Each chief officer has a scheme of nomination setting out the powers that others may exercise on their behalf. All elected members represent their electoral ward. Those not appointed to the Cabinet support the development of policy and scrutinise decisions made by the Cabinet or by officers under delegated powers. They also review services provided by the Council and its partners. The Council's committee structure as set out in the Constitution includes two overview committees and two scrutiny committees, one of which is the designated statutory health scrutiny committee responsible for reviewing proposals for significant changes to NHS services in Dorset.
- 3.6 Dorset Council recognises the importance of undertaking adequate scrutiny of the management of the internal control systems and the Audit and Governance Committee creates an environment in which audit, governance and financial accounts matters can be considered without having to compete for priority alongside other matters. The Audit and Governance Committee's remit includes:
- risk management
  - corporate governance
  - internal and external audit
  - financial management
  - consideration and approval of the annual statement of accounts of the Council
  - the operation of the Members' Code of Conduct
- 3.7 The Council's constitution, under the Scheme of Delegation, sets out the terms of reference for the Committee, detailing its remit in greater detail. The 'standard' committee diary provides for six meetings a year and additional meetings are occasionally required for a specific purpose. The timings of the meetings are designed to enable key items of business to be dealt with at the most appropriate time. The Council's overall policy is represented through the Council Plan. We understand that effective performance management relies on close monitoring and assessment of a variety of measures from across the Council.

- 3.8 These range from the highest-level strategic measures – the council’s key performance indicators (KPIs), through to the lower-level metrics and measures which support individual services and teams. The strategic reporting consists of:

<b>Quarterly reporting</b>	Progress with the Council Plan to the Corporate Leadership Team and the Cabinet
<b>Balanced scorecard reporting</b>	Service performance: monthly to Corporate Leadership Team; monthly to Performance Leadership Group (executive directors and portfolio holders); and quarterly to the Place and Resource Overview Committee and the People and Health Overview Committee
<b>Quarterly risk management and internal audit updates</b>	Audit and Governance Committee. The Committee has an assurance role on this overarching framework and will refer any areas of high-level concern to the appropriate overview committee.

- 3.9 Service level reporting provides monthly management information in a range of formats determined by the senior leadership teams of each of the Council’s directorates: People – Adults and Housing; People – Children; Place; and Corporate Development. To measure our performance, it is important to recognise that we carefully consider, amongst other things: statutory requirements, priorities, resources and how we compare to other places. We continue to strive to be open and transparent, and in line with our efforts to maximise the value in our business intelligence and information. The council provides a performance dashboard that helps to provide an insight into council activities that build on a data collection database from services that feed into an overall reporting system. Work continues to further develop the performance dashboard and create a multifunctioning evidence database. Statutory performance (including reporting to agencies and partners) needs to be returned to central government as part of the statutory reporting process - this type of information is useful for benchmarking against other authorities operating in statistically comparable populations.

- 3.10 The framework makes use of a reporting by exception process whereby measures which are identified as off-track require explanation from accountable managers. This will require:

- an explanation of why a target is off-track
- an action plan identifying how this will be rectified
- a timeline for returning to within tolerance (path to green)
- an accountable officer

These actions are tracked through a dedicated action tracking process with regular status updates at subsequent performance meetings. New actions will be identified as part of the performance management meeting and added into the tracking process.

- 3.11 The Council has a whistleblowing policy, which encourages employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The Council expects the highest standards of conduct and personal behaviour from councillors and employees. These standards are defined and communicated through codes of conduct and protocols.

- 3.12 The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer (a role performed by the Executive Director for Corporate Development) has statutory responsibility for the proper management of the Council's finances and is a key member of the senior leadership team. The Council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010). We recognise that Risk Management is an essential part of delivering good governance and reduces the uncertainty of achieving outcomes as set out in the Corporate Plan. The Council remains committed to driving the organisation forward to achieve a risk aware culture. Effective risk management is essential for a Council to demonstrate that it is acting in the best interests of its residents. Much progress has been made with introduction of a 5by5 risk matrix with a focus on extreme and high-level risks.
- 3.13 When risks are identified, an agreement takes place on how they will be managed. The Council's risk profile is regularly reviewed to help deliver satisfaction that management's systems include appropriate controls and provides adequate sources of assurance. It is acknowledged that with such systems in place it will not eliminate all risks, but having systems, mitigations and controls will help to provide a robust process that considers any such risks. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Dorset Council continues to work to better embed and help raise awareness of the principles of risk management and to assist officers, at all levels, in applying sound risk management. Work continues to develop the council stance towards risk management to better assist colleagues, at all levels, in applying sound risk management principles and practices. Reports are received by the Audit and Governance Committee on a quarterly basis, which with effect from April 22 will also update on key issues from the Information Compliance and Emergency Planning services.
- 3.14 Risk update reports provide a quarterly view on Extreme and High-Level risks that are identified across all services, with separate schedules for Adults and Housing, Children's Services, Corporate Development Services and Place Services. A summary page (Snapshot on Performance) also helps to provide focus on all the services with a series of graphs and headline statements.
- 3.15 Once risks have been scored using the Risk Assessment Matrix, the next step is to understand what this score means and use it to inform a suitable response. Each risk, based on its score, will be rated as either LOW, MEDIUM, HIGH-LEVEL, OR EXTREME and will be colour-coded according to the Risk Assessment Matrix. The rating will determine the approach to be taken to the management of each risk and will reflect the Council's risk appetite i.e., the level of risk the Council is willing to accept or tolerate which then dictates the level and intensity of response required.

The Risk Ranking Matrix identifies the level of risk as highlighted below:

<b>Severity (Impact)</b>	<b>Catastrophic</b> Score 5	Multiple deaths of employees or those in the Council's care; Inability to function effectively, Council-wide; Will lead to resignation of Chief Executive and/or Leader; Corporate Manslaughter charges; Service delivery must be taken over by Central Government; Front page news story in National Press; Financial loss over £10m
	<b>Major</b> Score 4	Suspicious death in Council's care; Major disruption to Council's critical services for more than 48hrs; Noticeable impact achieving strategic objectives; Will lead to resignation of Senior Officers and/or Cabinet Member; Adverse coverage in National press/Front page news locally; Financial loss £5m-£10m
	<b>Moderate</b> Score 3	Serious Injury to employees or those in the Council's care; Disruption to one critical Council Service for more than 48hrs; Will lead to resignation of Head of Service/Project Manager; Adverse coverage in local press; Financial loss £1m-£5m
	<b>Slight</b> Score 2	Minor Injury to employees or those in the Council's care; Manageable disruption to services; Disciplinary action against employee; Financial loss £100k-£1m
	<b>Limited</b> Score 1	Day-to-day operational problems; Financial loss less than £100k

<b>Likelihood (Probability)</b>	<b>Certain</b> Score 5	Reasonable to expect that the event <b>WILL</b> happen, recur, possibly or frequently
	<b>Likely</b> Score 4	Event is <b>MORE THAN LIKELY</b> to occur. Will Probably happen, recur, but is not a persisting issue.
	<b>Possible</b> Score 3	<b>LITTLE LIKELIHOOD</b> of event occurring. It might happen or recur occasionally.
	<b>Unlikely</b> Score 2	Event <b>NOT EXPECTED</b> . Do not expect it to happen or recur, but it is possible that it might do so.
	<b>Very Unlikely</b> Score 1	<b>EXCEPTIONAL</b> event. This will probably never happen or recur.

<b>Level of Risk</b>	<b>EXTREME</b> (20-25)	Risks at this level sit above our tolerance and form the biggest risks. Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.
	<b>HIGH-LEVEL</b> (12-16)	The Council is not willing to take risks at this level and action should be taken immediately. These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible.
	<b>MEDIUM</b> (5-10)	While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level. These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review. If the impact or likelihood increases, then risk owners should seek to manage the increase
	<b>LOW</b> (1-5)	These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review. These are low level risks that could impede or hinder achievement of objectives. Due to the relatively low level, it is unlikely that additional controls will be identified to respond to the risk. Minor level risks with little consequence but not to be overlooked completely.

3.16 The Council continues to develop its value for money framework. With scarce resources, it is recognised to be essential that the council ensures that it secures best value for all its expenditure. Value for money considerations is implicit in a range of routine council activities such as budget setting, budget monitoring and contract management.

- 3.17 A value for money framework sets out how to develop value for money service benchmarking across the council. This will enable a prioritisation exercise to deliver a timeline for fundamental service review. Local Government bodies, auditors are required to give a conclusion on whether the council has proper arrangements in place to secure value for money and guidance identifies one single criterion for auditors to evaluate:

‘In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.’

- 3.18 Dorset Council has experienced reductions in grant funding and limited increases in its council tax and business rates precept income in recent years together with pressures surrounding Covid 19 and EU Exit. At the same time, the council has been experiencing cost pressures in relation to the range of services it delivers and uncertainty over future funding. The council is nevertheless obligated, under statute, to set a balanced budget for each financial year and has an internal policy to maintain positive reserves and deliver its efficiency plan. Our view is therefore that delivery of financial plans and future sustainability is a key Value for Money risk. Local government in Dorset has undergone a huge change with the county’s nine councils being replaced by two entirely new organisations. This resulted in a reduction in costs by cutting duplication.
- 3.19 The money saved is being reinvested into important services for residents including housing, road maintenance, schools, social care, and waste collection. You can find out more about these changes and what it means for you at [Dorset Council](#) External Audit review and report on the Council’s financial statements (including the Annual Governance Statement) and provide an opinion on the accounts together with the use of resources including providing a value for money opinion.

#### **4. COVID-19**

- 4.1 The Covid-19 pandemic significantly impacted upon people, testing our resilience, requiring us to change the way we deliver services and driving the creation of new services to meet the needs of Dorset residents. Dorset Council has played a significant role in responding to the Covid-19 outbreak, both in the delivery of its own service responsibilities and as part of the multi-agency response coordinated through the Local Resilience Forum.
- 4.2 The Council was able to maintain services to residents, prioritising services to those in greatest need and redeploying staff accordingly. Public Health Dorset, hosted by the Council, played a key part in responding to the pandemic. The pandemic tested the Council’s governance arrangements. Flexibilities introduced by the pandemic enabled elected members to meet online. The Council’s scheme of delegation enabled officers to make urgent decisions and transparency of decision making was maintained through the publication of decision notices. The Council recognises that the Covid-19 crisis has had a significant financial impact and will have a long-term effect on the level of resources available to the Council. In response to the Covid-19 emergency, the Government announced financial support packages for small businesses, and those in the retail, hospitality, and leisure sectors. The support took the form of ten different grant funding schemes during the pandemic with Dorset Council paying out over £257M in grants to local businesses.

4.3 Covid-19 continues to impact upon the people, communities and businesses served by the Council. As we move forward, we will continue to analyse the impact of Covid-19 and understand how the pandemic has impacted our strategic priorities.

## 5. Our Behaviours

5.1 There are [four behaviours](#) that Dorset Council expects every employee to demonstrate. All employees are encouraged to lead by example to encourage and inspire each other through these behaviours. This framework has been designed to aid discussions across Dorset Council, to help all work towards a positive workplace culture. The behaviours we demonstrate, the attitudes we hold and the approaches we take at work are key to the success of Dorset Council and our vision to be an employer of choice. We recognise that our people make our organisation, which is why our behaviours have been developed in partnership with members of our Employee Forum. Behaviours are the attitudes and approaches we bring to our work. They include how we do things; what we say and how we say it; how we treat people; and how we expect to be treated.

## 6. Key Achievements during 2021-22

6.1 The Council continued to carry out significant transformation and restructuring as it began to harmonise the services inherited from the predecessor councils. These achievements included:

<b>Climate and Ecological Emergency</b>	£19m Salix funding to decarbonise Dorset Council buildings. Salix Finance Ltd. provides Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. Salix is a non-departmental public body, owned wholly by Government. Salix is funded by the Department for Business, Energy and Industrial Strategy, the Department for Education, the Welsh Government, and the Scottish Government.
<b>Investment in a new school for pupils with SEND in Dorset</b>	The Council purchased St Mary's School, Shaftesbury which will provide high quality education for children and young people with special educational needs and disabilities (SEND). This is part of a £37.5 million investment over the next five years to provide the best education for Dorset children and young people with special educational needs and disabilities.
<b>New residential home for Dorset children</b>	Invested in a new residential home for Dorset children in Weymouth to prevent them being placed in care far away.
<b>Levelling up grant</b>	Won government funding of £70,000, from the Department for Levelling Up, Housing and Communities for locally important buildings, sites, monuments, and features to be included on new Local Heritage Lists.
<b>Road Safety Weymouth</b>	Awarded £380,000 for projects to help women and girls feel safer on our streets as part of the Government's Safer Streets Fund.

<p><b>Ofsted inspection of children's services</b></p>	<p>Outcome achieved by Children's Services judged as 'Good' by Ofsted, following an inspection of local authority children's services (ILACS) in September.</p> <p>The final report published by Ofsted confirms that the overall effectiveness of Dorset Council Children's Services is of a "good quality and are continuing to improve" and that the council has delivered "an impressive pace and effectiveness of change, in the context of a pandemic and Local Government Reorganisation in 2019."</p> <p>Inspectors also noted that the council has a "proven determination to give every child in Dorset a brighter future." Dorset Council was judged to have "outstanding leadership" for Children's Services, noting that "senior leaders have taken the challenges presented by the pandemic as an opportunity to engage partners more firmly in the wider safeguarding agenda and in the vision of making Dorset the best place it can be for children to thrive." .</p>
<p><b>Won funding to repair worst minor roads in Dorset</b></p>	<p>Twelve rural roads reconstructed thanks to the Department for Transport's Pothole Fund.</p>
<p><b>We invested £42K from the Community and Culture Project Fund Awards</b></p>	<p>Dorset Council's community and culture project awarded £42,484 to 15 local organisations.</p>
<p><b>Awarded £2.13m from the Brownfield Land Release Fund</b></p>	<p>The grant funding will be used to help build almost 200 homes in Dorset on underused brownfield land, helping local people and families get on the property ladder.</p>
<p><b>Homelessness and help for vulnerable adults</b></p>	<p>Awarded £500,000 of government funding to help tackle rough sleeping in the county. Established the 'Safe Space' project so people have a safe place to go when they are vulnerable or unable to get back to their accommodation in Weymouth.</p>
<p><b>Digital Technology</b></p>	<p>The £8 million 5G Rural Dorset project achieved several world firsts. Dorset residents registered for the second Festival of The Future to learn about the benefits of digital technology. Free digital advice service expanded across Dorset to include 13 centres across Dorset</p>
<p><b>Planning</b></p>	<p>Combined the planning information from the six-former district, borough, and county councils and 4.3 million documents have been transferred to a single central system.</p>



<b>Waste Services</b>	Successful changing of bin collections for 34,000 households in North Dorset leading to cost savings on vehicle use, increased reliability, and more efficient round configurations.
<b>Recognised Awards</b>	<p>5GRural Dorset project won three awards at the Connected Britain Awards. The 5G Innovation Award, the Barrier Busting Award, and the Sustainability Award. Dorset Council received the <a href="#">Armed Forces Covenant Silver Award</a> as part of the Ministry of Defence's Employer Recognition Scheme. <a href="#">The Great South West Tourism Partnership</a> received an Award for Outstanding Contribution to Tourism. Visit Dorset, Dorset Council's tourism team is a key part of this regional partnership and represents Dorset alongside BCP Council's destination management team and the Dorset Tourism Association.</p> <p>Dorset Council's six countryside sites – all awarded the Green Flag this year. <a href="#">Moors Valley</a>, <a href="#">Avon Heath</a> and <a href="#">Durlston Country Park</a>, plus <a href="#">Thorncombe Woods</a> near Dorchester, and the <a href="#">Milldown</a> and <a href="#">Stour Meadows</a> in Blandford, was recognised by the <a href="#">Green Flag Award</a> scheme as some of the very best in the world.</p> <p>Volunteers at the Ancient Technology Centre (ATC) owned by Dorset Council, were honoured with the Queen's Award for Voluntary Service (QAVS) in recognition of their dedication to bringing history alive for communities across the south helping to create and run one of the South's most unique learning environments.</p>
<b>Summer in Dorset</b>	The council offered 18,000 funded places across 50 locations for eligible children to take part in Summer in Dorset activities. Over 1,500 children took part.
<b>Easter in Dorset</b>	More than 1,500 fun food and activity 'holiday bundles' were sent to Dorset children who needed it most at Easter. Hundreds of children experienced new activities, enjoyed physical exercise, and made new friends at face-to-face and online sessions. Over the Easter holidays we sent out holiday bundles, containing ingredients and recipes for two tasty meals and home activity sheets, to those who needed it most.
<b>County Parks</b>  <b>The Defence Battle Lab project</b>	<p>Dorset Council's Durlston Country Park in Swanage received a grant of £35,400 from the Government's Culture Recovery Fund. Dorset Council has six countryside sites. All were awarded Green Flag status</p> <p>A £5.7m collaboration between the MOD, Dorset Council, and the Dorset Local Enterprise Partnership (LEP), to provide an ambitious Defence building programme at the heart of Dorset, dedicated to the pursuit of innovation and technologies of the future opening November 2021.</p> <p>Established in 2011, Dorset LEP is a private sector-led organisation responsible for speaking on behalf of businesses, championing important issues with government, securing funding and investment for the region, and driving the economic growth of Dorset.</p>

<b>Equality and Diversity</b>	<p>The council was awarded level 2 Disability Confident for employers. The Disability Confident scheme aims to help employers make the most of the opportunities provided by employing disabled people. It is voluntary, has been developed by employers, and disabled people's representatives.</p> <p>The Disability Confident scheme has 3 levels that have been designed to support you on your Disability Confident journey. Employers must complete each level before moving on to the next.</p>
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<b>COVID Support</b>	<p>Thousands of pieces of office equipment were delivered to employees at home and delivered food, prescriptions, and PPE (Personal Protective Equipment). Ensured that children and young people travelled to and from school safely and supported families with free school meal.</p> <p>Community Shield work with volunteers helped Dorset Council to respond to thousands of calls and emails and stayed connected with those who were shielding. Kept children active through lockdown and organised a Summer in Dorset and Easter in Dorset activity programme.</p> <p>Thanks to the launch of the Digital Hotline, volunteers helped more than 550 people get online.' Conducted socially distanced weddings. Distributed grants to support local businesses. Free school meals funding.</p>
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## 7. Review of Effectiveness

- 7.1 The work of internal audit aligns with the aims and objectives of the council, considering key risks, operations, and changes. To do this Internal Audit needs to be flexible in adapting audit plans to handle changing risks, priorities, and challenges. It is the responsibility of the Senior Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.
- 7.2 Dorset Council uses the services provided by SWAP Internal Audit Services which is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, crossing eight Counties, but also providing services throughout the UK. The resulting programme is a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP driven by our continuous risk assessment. This risk assessment is based on the live status of both the Council's strategic and service risk registers.
- 7.3 The results of our risk assessments are shared with senior management to obtain their view on the value of internal audit involvement. In developing risk assessments, SWAP take account of other sources of assurance, where relevant. Please note that Internal Audit is only one source of assurance, and the outcomes of internal audit reviews are considered alongside other sources, as part of the 'three lines' assurance model. It remains the responsibility of the council's Senior Leadership Team and the Audit & Governance Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by Dorset Council.
- 7.4 SWAP continues to provide Dorset Council with a health check, based on eight essential corporate functions which underpin day-to-day operational activities. This approach is based on the IIA (Institute of Internal Auditors) (Institute of Internal Auditors) three lines model and provides an overarching view of governance arrangements.

- 7.5 The Council is responsible for ensuring 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 and efficiently. The governance framework comprises the rules, procedures, systems, and processes by which the Council is controlled.
- 7.6 The quality of governance arrangements underpins the levels of trust in public services and is fundamental to the Council's statutory and democratic obligations. Good governance allows the council to be clear about how it discharges its responsibilities and to show this for members, partners, and residents. The system of internal control is a significant part of the framework and is designed to ensure risks are managed within the Council's appetite.
- 7.7 We cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The effectiveness of the framework is monitored and assured through routine performance monitoring and by internal and external audit. The key elements of the review of effectiveness are:
- The Council's internal management processes, such as performance monitoring and reporting; the employees performance appraisal framework (My ROAD map is the framework in place to support employees and managers to hold good conversations. Objectives can be prepared before each 1-1 to help reflect on achievements and career goals).
  - The Local Code of Corporate Governance Self-Assessment, confirming that the Code of Conduct, Financial Regulations, and other corporate governance processes have operated as intended within services throughout the year.
  - Corporate, Service and Project Risk Registers which identify significant exposures together with action plans intended to bring the level of risk down to an acceptable level. The work of the audit and governance committee which includes responsibility for monitoring the development and operation of corporate governance in the council
  - Quarterly Audit Improvement monitoring reports, Annual Internal Audit Reports and External Audit (ISA260), reviews by external inspection regimes (such as Ofsted and optional peer challenges).
- 7.8 During work on the formation of Dorset Council the Shadow Council adopted a Councillor Code of Conduct. Following a review of the Code of Conduct the Council agreed to adopt the new LGA Model Code of Conduct and to encourage town and parish councils to adopt the same code. The Council also worked with the Dorset Association of Parish and Town Councils to develop an e-form, making it easier for all councillors to declare their interests online and to improve the accessibility of information on its website.



**8. What actions have been taken in response to 2020-21 Annual Governance Statement**

<b>Service Manager for Assurance</b>	<b>Action 1</b>	A March 21 internal audit on Fraud and Whistleblowing has identified Priority 2 actions. These will be addressed by the Fraud task and finish group, with a focus on training.
	<p>Update – Southwest Audit Partnership completed an audit on ‘Fraud and Reporting’ in April 2021, with the objective of providing assurance that the fraud management arrangements are clear and accessible.</p> <p>The outcomes from the audit have been added to the existing Anti-Fraud, Bribery and Corruption Action with a clear delivery timetable.</p> <p>SWAP completed a second piece of fraud reporting in May 2021, a cross-cutting baseline assessment report on the maturity of fraud management. In many areas assessed against peers the authority has clearly initiated work in the key areas, but conflicting priorities on the Covid response mean that many of these arrangements are not yet fully operational.</p> <p>Whilst some actions remain outstanding, good progress has been made. The Council is an active member of CIFAS (UK fraud prevention community). SWAP is currently carrying out fraud risk interviews with key services, based on the DC risk methodology.</p> <p>Policies have been reviewed and updated and will be submitted for sign off in early 2022/23. Promotion of fraud and whistleblowing arrangements have been improved.</p> <p>The Council will continue to assess progress against the baseline assessment report.</p>	

<b>Service Manager for Assurance</b>	<b>Action 2</b>	Compliance with mandatory data protection training remains low (circa 40%). The training module has been improved and further communication and monitoring established, including a KPI (key performance indicators) on compliance.
		<p>Update – Training levels on Data Protection remain disappointingly low (47% as of Mar 22).</p> <p>This is not limited to the Data Protection policy, and similarly low rates apply to other mandatory modules.</p> <p>The Organisational Development Team will be taking a paper to Senior Leadership Team on mandatory training in early 2022/23 to determine how completion rates can be achieved.</p>

<b>Service Manager for Assurance</b>	<b>Action 3</b>	Following local government organisation and transition into Dorset Council, time is right to undertake a thorough assurance mapping exercise.
		<p>Update – We are currently working with Southwest Audit Partnership to develop a more holistic Assurance Map, which will identify and capture other streams of assurance over the corporate risks across the Council. From this assessment we will be able to visually highlight key assurance gaps, but also build a better picture of assurance outcomes to help direct focus and oversight.</p> <p>The work is sponsored by the Corporate Director, Legal and Democratic. Work has however not moved as quickly as hoped, due to other commitments within service areas.</p> <p>This action will therefore roll forward into the 2021/22 action plan.</p>

<b>Service Manager for Electoral and Democratic Services</b>	<b>Action 4</b>	The format of future committee meetings will be subject to further discussion, once there is clarification on legislation post May 21.
		<p>Update – The Chief Executive exercised delegated powers to continue with virtual informal committee meetings until such time as a webcasting solution is installed and tested providing the option to non-committee members, officers, and members of the public to engage in the democratic decision-making processes remotely.</p> <p>There were a few committees where physical attendance continued, i.e., school transport appeals, licensing sub-committees and Code of Conduct Hearings and precept setting, where officers are unable to take decisions under delegated powers.</p> <p>From February 2022 many committee meetings have returned to physical attendance, with streaming capability increasing transparency of decision making.</p>

<b>Covid Silver</b>	<b>Action 5</b>	Dorset Council Operations Group to manage and focus on additional visitor demand
	<p>Update – In anticipation of additional visitor demand because of the pandemic, a Dorset Council Operations Group for summer planning began meeting in February 2021 and over the summer. Plans for summer included:</p> <ul style="list-style-type: none"> <li>• Additional Civil Enforcement Officer hours</li> <li>• The creation of ‘tow away’ areas for illegally parked vehicles</li> <li>• More bins and waste collections</li> <li>• Additional signage for visitors at beauty spots</li> <li>• Volunteer ambassadors to welcome visitors to local beauty spots and historic towns</li> <li>• Safety Marshals were deployed to key visitor locations to monitor numbers and provide on the ground intelligence</li> <li>• Additional CCTV cover</li> <li>• Additional response to licensing matters and issues</li> <li>• Safety Advisory Groups</li> </ul> <p>Dorset Council played an active part in the Local Resilience Forum multi-agency Forward Look group. This involved partner working together to identify key risks and enable appropriate response, based on multi-partner intelligence.</p> <p>The Dorset Council Operations Group established a multi-agency control centre (MACC). The purpose of the MACC was to establish a virtual multi-agency capability which maintained county wide situational awareness from council departments and partner agencies and organisations. Council services, partners and organisations feed twice daily situation reports into the MACC. During the school summer holidays the MACC operated 7 days a week 0930 – 1800 and held twice daily virtual briefings between Dorset Council and Dorset Police at the weekends.</p> <p>A debrief of Summer Operations was held in October 2021 and the output of this will inform planning for Summer 2022. The Dorset Council Operations Group will continue to meet.</p>	

**9. What actions will be taken in response to this 2021-22 Annual Governance Statement**

9.1 Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed or are included in action plans for the relevant managers.

<b>Action 1 Head of Organisational Development)</b>	Compliance with mandatory training remains low. Action to be taken by Organisational Development
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<b>Action 2 Service Manager for Assurance</b>	Ongoing rollout of Assurance Mapping and Fraud Risk Assessment work
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<b>Action 3</b> <b>Service Manager for Assurance</b>	Improve compliance rates for Subject Access Request responses
<b>Action 4</b> <b>Service Manager for Assurance</b>	Embedding “Data Protection by Design and Default” through improved Data Privacy Impact Assessments, potentially incorporating into a wider “whole impact” assessment (equality; climate change etc).
<b>Action 5</b> <b>Service Manager for Archives</b>	Rollout of Information Asset Register

**10. Approval of the Annual Governance Statement 2021-22**

The Council is satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset Council and that appropriate arrangements are in place to address improvements in our review of compliance. Progress on these improvements and on addressing any mitigating the risks will be monitored through the year by senior officers and elected councillors of Dorset Council.

**Supported by:**

**Appendix A – Local Code of Corporate Governance**  
**Appendix B – Summary of ‘Extreme and High-Level’ Risks**

## AUDIT OPINION

Intentionally blank, until completion of audit and publication of the final Accounts.



# DORSET COUNTY PENSION FUND ACCOUNTS

FUND ACCOUNT					
2020/21			2021/22		
£'000	£'000		Note	£'000	£'000
		<b>Dealings with members, employers and others directly involved in the Fund</b>			
	<b>134,548</b>	<b>Contributions</b>	<b>7</b>		<b>139,798</b>
105,446		Employer contributions		109,864	
29,102		Member contributions		29,934	
	<b>8,612</b>	<b>Transfers in from other pension funds</b>	<b>8</b>		<b>22,524</b>
	<b>143,160</b>	<b>Total additions from dealing with members etc.</b>			<b>162,322</b>
	<b>(131,431)</b>	<b>Benefits</b>	<b>9</b>		<b>(133,759)</b>
(110,372)		Pensions		(114,379)	
(17,342)		Commutation and lump sum retirement benefits		(16,277)	
(3,717)		Lump sum death benefits		(3,103)	
	<b>(7,773)</b>	<b>Payments to and on account of leavers</b>	<b>10</b>		<b>(5,633)</b>
(325)		Refunds of contributions		(439)	
(7,448)		Transfers to other pension funds		(5,194)	
	<b>3,956</b>	<b>Net additions/(withdrawals) from dealings with members and others</b>			<b>22,930</b>
	<b>(13,085)</b>	<b>Management expenses</b>	<b>11</b>		<b>(15,574)</b>
	<b>(9,129)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>			<b>7,356</b>
	<b>17,419</b>	<b>Investment Income</b>	<b>12</b>		<b>16,228</b>
	<b>(56)</b>	<b>Taxes on income</b>			<b>(10)</b>
	<b>629,175</b>	<b>Profit/(loss) on disposal of investments and changes in the value of investments</b>			<b>329,236</b>
	<b>646,538</b>	<b>Net return on investments</b>			<b>345,454</b>
	<b>637,409</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>			<b>352,810</b>
	<b>2,713,581</b>	<b>Opening net assets of the fund 1 April</b>			<b>3,350,990</b>
	<b>3,350,990</b>	<b>Closing net assets of the fund 31 March</b>			<b>3,703,800</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

NET ASSETS STATEMENT				
31 March 2020			31 March 2021	
£'000	£'000	Note	£'000	£'000
	<b>768</b>	<b>Long term investments</b>		<b>838</b>
768		Brunel Pension Partnership Ltd	838	
	<b>3,339,773</b>	<b>Investment assets</b>		<b>3,693,622</b>
-		UK equities (quoted)	-	
52		Overseas equities (quoted)	59	
2,894,459		Pooled investment vehicles	3,210,018	
96,102		Private equity	132,224	
260,716		Property	274,308	
87,696		Cash & cash equivalents	72,664	
(670)		Derivative contracts	3,108	
1,418		Other investment assets	1,241	
	-	<b>Investment liabilities</b>		-
-		Other investment liabilities	-	
	<b>3,340,541</b>	<b>Total net investments</b>		<b>3,694,460</b>
	-	<b>Long term debtors</b>		-
-		Other long term debtors	-	
	<b>16,030</b>	<b>Current assets</b>		<b>13,992</b>
8,766		Contributions due from employers	10,732	
7,264		Other current assets	3,260	
	(5,581)	<b>Current liabilities</b>		(4,652)
(550)		Unpaid benefits	(928)	
(5,031)		Other current liabilities	(3,724)	
-		Deferred income	-	
	<b>3,350,990</b>	<b>Net assets available to fund benefits</b>		<b>3,703,800</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

### a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>323</b>	<b>Total Employers</b>	<b>327</b>
	<b>Employees</b>	
6,060	Administering Authority	7,130
16,444	Other Scheduled Bodies	19,403
1,096	Admitted Bodies	1,117
<b>23,600</b>	<b>Total Employees</b>	<b>27,650</b>
	<b>Pensioners</b>	
9,452	Administering Authority	9,524
13,742	Other Scheduled Bodies	13,850
1,914	Admitted Bodies	1,928
<b>25,108</b>	<b>Total Pensioners</b>	<b>25,302</b>
	<b>Deferred Pensioners</b>	
8,835	Administering Authority	8,839
14,428	Other Scheduled Bodies	14,434
1,527	Admitted Bodies	1,527
<b>24,790</b>	<b>Total Deferred Pensioners</b>	<b>24,800</b>
<b>73,498</b>	<b>Total Members</b>	<b>77,752</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22. IFRS 16, introduced on 1 January 2019, was originally due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. However, an optional deferral to adopt IFRS 16 from either 1 April 2022, 1 April 2023 or 1 April 2024 has been announced following an emergency consultation for updating the Code. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lease.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account:

#### Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

#### Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

#### Investment income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

#### Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

# DORSET COUNTY PENSION FUND ACCOUNTS

## **Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

## **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

## **Net Assets Statement:**

### **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### **Freehold and leasehold properties**

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 17 for more details.

### **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable as at the year-end date plus accrued interest.

### **Financial liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

### **Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 21.

# DORSET COUNTY PENSION FUND ACCOUNTS

## **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 23).

## **NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

### **Pension fund liability**

The net Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

### **Directly held property**

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

## **NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

### **Actuarial present value of promised retirement benefits (Note 20)**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

### **Private equity investments (Note 17)**

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of Covid-19 on valuations. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

### **Freehold, leasehold property and pooled property funds (Note 17)**

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

## **NOTE 6. EVENTS AFTER THE REPORTING DATE**

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events). No events after the reporting date have been identified.

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2020/21		2021/22
£'000	Employer contributions	£'000
77,954	Contributions re future service costs	81,651
17,617	Contributions re past service costs (deficit recovery)	18,452
4,020	Voluntary additional contributions	4,359
3,544	Augmentation cost of early retirements	2,121
2,333	Exit payments from employers	3,664
(22)	Exit credits to employers	(382)
<b>105,446</b>	<b>Total employer contributions</b>	<b>109,865</b>
<b>29,102</b>	<b>Member contributions</b>	<b>29,934</b>
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,799</b>

By type of employer:

2020/21		2021/22
£'000		£'000
39,473	Administering authority	41,192
81,909	Other scheduled bodies	84,339
13,166	Admitted bodies	14,268
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,799</b>

## NOTE 8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds in 2021-22 included a group transfer of £16.3m in respect of members of the Police and Crime Commissioner for Dorset that transferred from Devon Pension Fund. All other transfers in were individual transfers.

## NOTE 9. BENEFITS PAYABLE

By type of employer:

2020/21		2021/22
£'000		£'000
44,394	Administering authority	45,237
76,131	Other scheduled bodies	77,188
10,906	Admitted bodies	11,334
<b>131,431</b>	<b>Total benefits payable</b>	<b>133,759</b>

## NOTE 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

All transfers out to other pension funds were individual transfers.

## NOTE 11. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2020/21		2021/22
£'000		£'000
2,149	Administrative expenses	2,093
543	Oversight and governance costs	487
10,393	Investment management expenses	12,994
<b>13,085</b>	<b>Total management expenses</b>	<b>15,574</b>

Investment management expenses consisted of:

2020/21		2021/22
£'000		£'000
8,087	Investment management fees	10,648
480	Performance related fees	513
61	Custody fees	27
505	Transaction costs	1,181
873	Transition costs	349
387	Other fees and costs	276
<b>10,393</b>	<b>Total investment management expenses</b>	<b>12,994</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

### NOTE 12. INVESTMENT INCOME

2020/21 £'000		2021/22 £'000
-	Bonds	199
2,938	Equities	23
386	Pooled Investments	3,066
283	Pooled Property Investments	1,499
12,125	Direct Property	11,042
1,344	Private Equity	233
117	Interest from Cash Deposits	-
11	Other Income	1
215	Fee Rebate Income	165
<b>17,419</b>	<b>Total Investment Income</b>	<b>16,229</b>

### NOTE 13. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £838k (£768k at 31 March 2021).



# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 14. INVESTMENT ASSETS

31 March 2021			31 March 2022	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
<b>0.00%</b>	<b>0</b>	<b>UK Equities - Quoted</b>	<b>-</b>	<b>0.00%</b>
	0	Wellington	-	
<b>0.00%</b>	<b>52</b>	<b>Overseas Equities - Quoted</b>	<b>59</b>	<b>0.00%</b>
	52	Investec	59	
	0	Wellington	-	
<b>2.90%</b>	<b>96,102</b>	<b>Private Equity</b>	<b>132,224</b>	<b>3.60%</b>
	52,998	HarbourVest	76,893	
	27,849	Aberdeen Standard	22,047	
	5,656	Capital Dynamics Global Secondary Fund V	10,613	
	6,050	Neuberger Berman Private Equity Impact Fund	7,917	
	1,524	Neuberger Berman SCIOP IV	6,706	
	1,948	Ardian LBO Fund	3,571	
	-	Vespa Capital III	2,229	
	78	Summit Eur Growth EQ III SCSP LP	860	
	-	Alpinvest Secondaries Fund VII Limited Partnership	1,388	
<b>7.80%</b>	<b>260,716</b>	<b>Property (directly owned)</b>	<b>274,308</b>	<b>7.40%</b>
	260,716	CBRE Global Investors	274,308	
		<b>Pooled Investment Vehicles:</b>		
<b>5.80%</b>	<b>192,357</b>	<b>Bonds</b>	<b>185,995</b>	<b>5.00%</b>
	192,357	RLAM Corporate Bond Fund	185,995	
<b>10.40%</b>	<b>348,550</b>	<b>UK Equities - Quoted</b>	<b>373,410</b>	<b>10.10%</b>
	74,779	Schroder UK Smaller Companies Equity Fund	71,248	
	107,290	LGIM UK Equity Index (passive)	121,452	
	166,481	Brunel UK Equities	180,710	
<b>40.90%</b>	<b>1,364,900</b>	<b>Global Equities - Quoted</b>	<b>1,455,272</b>	<b>39.40%</b>
	275,104	LGIM Smart Beta Fund (passive)	309,179	
	183,350	LGIM World Developed Equities (passive)	206,930	
	247,102	Brunel Global High Alpha Equities	268,741	
	169,360	Brunel Emerging Markets Equities	149,963	
	325,313	Brunel Global Sustainable Equities	352,133	
	164,670	Brunel Smaller Companies Equities	168,326	
<b>5.10%</b>	<b>170,469</b>	<b>Multi Asset Credit (MAC)</b>	<b>169,355</b>	<b>4.60%</b>
	170,469	CQS Credit Multi Asset Fund	-	
	-	CQS Global Funds Mutual Fund	34,167	
	-	Oaktree (LUX) III SA SICAV Mutual Fund	33,805	
	-	Neuberger Berman Investment Mutual Fund	101,382	
<b>1.60%</b>	<b>52,533</b>	<b>Property Funds</b>	<b>71,457</b>	<b>1.90%</b>
	4,155	Lend Lease Retail Partnership	58	
	6,282	Standard Life UK Shopping Centre Trust	5,395	
	16,451	CBRE UK Long Income Property Fund	17,362	
	22,359	Aberdeen Standard Long Lease Property Fund	25,480	
	3,286	M&G Secured Income Property Fund	23,162	
<b>4.90%</b>	<b>164,281</b>	<b>Diversified Returns Funds</b>	<b>243,437</b>	<b>6.60%</b>
	164,281	Brunel Diversifying Returns Fund	243,437	
<b>6.60%</b>	<b>220,057</b>	<b>Infrastructure</b>	<b>252,133</b>	<b>6.80%</b>
	96,252	Hermes GPE Infrastructure Funds	102,094	
	107,419	IFM Global Infrastructure Fund	132,380	
	16,386	Greencoats Renewable Income Infrastructure Fund	17,659	
<b>11.40%</b>	<b>381,311</b>	<b>Liability Driven Investment</b>	<b>458,960</b>	<b>12.50%</b>
	381,311	Insight LDI Fund	458,960	
<b>86.70%</b>	<b>2,894,459</b>	<b>Total - Pooled Investments</b>	<b>3,210,018</b>	<b>86.90%</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

31 March 2021			31 March 2022	
Market Value		Description / Investment Manager	Market Value	
2.60%	87,696	Cash & Cash Equivalents	72,664	2.00%
0.00%	(670)	Derivatives	3,108	0.10%
0.00%	1,418	Investment Receivables	1,241	0.00%
<b>100.00%</b>	<b>3,339,773</b>	<b>Total Investment Assets</b>	<b>3,693,622</b>	<b>100.00%</b>

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

Investment assets under the management of Brunel Pension Partnership are valued at £2,099M at 31 March 2022 (£1,860M at 31 March 2021).

### NOTE 15. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following table summarises details of purchases, sales and changes in the market valuation of investments in the fund during the financial year.

2021-22	Value 1 April 2021 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2022 £'000
Long Term Investments	768	-	-	70	838
Bonds	0	72,045	(73,319)	1,274	-
Equities - Quoted	52	-	-	7	59
Pooled Investment Vehicles	2,894,459	365,732	(295,258)	245,085	3,210,018
Private Equity	96,102	17,410	(35,020)	53,732	132,224
Property	260,716	5,940	(32,292)	39,944	274,308
<b>Total Securities</b>	<b>3,252,097</b>	<b>461,127</b>	<b>(435,889)</b>	<b>340,112</b>	<b>3,617,447</b>
Forward Foreign Exchange	(670)	1,144	(160)	2,794	3,108
Futures	0	-	-	-	-
<b>Total Securities and Derivatives</b>	<b>3,251,427</b>	<b>462,271</b>	<b>(436,049)</b>	<b>342,906</b>	<b>3,620,555</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	87,696	-	-	(13,697)	72,664
Other investment assets	1,418	-	-	27	1,241
Other investment liabilities	0	-	-	-	-
<b>Total Net Investments</b>	<b>3,340,541</b>	<b>462,271</b>	<b>(436,049)</b>	<b>329,236</b>	<b>3,694,460</b>
2020-21	Value 1 April 2020 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2021 £'000
Long Term Investments	427	-	-	341	768
Equities - Quoted	171,787	811,429	(1,040,909)	57,745	52
Pooled Investment Vehicles	2,115,368	843,583	(616,598)	552,106	2,894,459
Private Equity	98,085	15,574	(18,427)	870	96,102
Property	264,665	1,420	(6,427)	1,058	260,716
<b>Total Securities</b>	<b>2,650,332</b>	<b>1,672,006</b>	<b>(1,682,361)</b>	<b>612,120</b>	<b>3,252,097</b>
Forward Foreign Exchange	(9,757)	-	-	9,087	(670)
Futures	-	865	(2,121)	1,256	-
<b>Total Securities and Derivatives</b>	<b>2,640,575</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>622,463</b>	<b>3,251,427</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	54,925	-	-	6,712	87,696
Other investment assets	3,353	-	-	-	1,418
Other investment liabilities	(2,316)	-	-	-	-
<b>Total Net Investments</b>	<b>2,696,537</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>629,175</b>	<b>3,340,541</b>

### NOTE 16. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March 2021, the Fund held the following open forward currency contracts.

## DORSET COUNTY PENSION FUND ACCOUNTS

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	USD	38,092	GBP	28,941	-	(2)
	JPY	380,643	GBP	2,388	-	(0)
	EUR	4,021	GBP	3,409	-	(0)
	GBP	276,613	USD	361,383	2,065	-
	GBP	29,077	JPY	4,433,026	1,270	-
	GBP	35,229	EUR	41,813	-	(225)
<b>Open Forward Currency Contracts at 31 March 2022</b>					<b>3,335</b>	<b>(227)</b>
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>3,108</b>
Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	219,859	USD	305,036	-	(1,180)
	GBP	31,497	EUR	36,627	255	-
	GBP	28,032	JPY	4,232,785	255	-
<b>Open Forward Currency Contracts at 31 March 2021</b>					<b>510</b>	<b>(1,180)</b>
<b>Net Forward Currency Contracts at 31 March 2021</b>						<b>(670)</b>

### NOTE 17. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets;
- Level 2:** where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- Level 3:** where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2022 and at 31 March 2021 measured at fair value according to the above fair value hierarchy.

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	-	-	-	-
Overseas equities - Quoted	59	-	-	59
Pooled Investment Vehicles	-	2,886,429	323,589	3,210,018
Private Equity	-	-	132,224	132,224
Property	-	-	274,308	274,308
Cash & Cash Equivalents	72,664	-	-	72,664
Derivatives	-	3,108	-	3,108
Other investment assets	1,241	-	-	1,241
<b>Total</b>	<b>73,964</b>	<b>2,889,537</b>	<b>730,121</b>	<b>3,693,623</b>
31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	-	-	-	-
Overseas equities - Quoted	52	-	-	52
Pooled Investment Vehicles	-	2,621,869	272,590	2,894,459
Private Equity	-	-	96,102	96,102
Property	-	-	260,716	260,716
Cash & Cash Equivalents	83,061	4,635	-	87,696
Derivatives	-	(670)	-	(670)
Other investment assets	1,418	-	-	1,418
<b>Total</b>	<b>84,531</b>	<b>2,625,834</b>	<b>629,408</b>	<b>3,339,774</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

During the year ended 31 March 2022 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy .

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
<b>Level 1:</b>			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
<b>Level 2:</b>			
Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
<b>Level 3:</b>			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
<b>Level 3:</b>			
Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

### Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2022.

	Valuation range % (+/-)	Value at 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	323,589	372,128	275,051
Private Equity	15.00%	132,224	152,058	112,390
Property	15.00%	274,308	315,454	233,162
<b>Total</b>		<b>730,121</b>	<b>839,640</b>	<b>620,603</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

### NOTE 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

#### (a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

<b>As at 31 March 2022</b>	<b>Value £'000</b>	<b>Change %</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
UK equities - quoted	-	15.00%	-	-
Overseas equities - quoted	59	15.00%	9	(9)
Pooled Investment Vehicles	3,210,018	15.00%	481,503	(481,503)
Private Equity	132,224	15.00%	19,834	(19,834)
Property	274,308	15.00%	41,146	(41,146)
Cash & cash equivalents	72,664	0.00%	-	-
Derivatives	3,108	15.00%	466	(466)
Other investment assets	1,241	0.00%	-	-
<b>Total</b>	<b>3,693,622</b>	<b>14.70%</b>	<b>542,958</b>	<b>(542,958)</b>

<b>As at 31 March 2021</b>	<b>Value £'000</b>	<b>Change %</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
UK equities - Quoted	-	15.00%	-	-
Overseas equities - Quoted	52	15.00%	8	(8)
Pooled Investment Vehicles	2,894,459	15.00%	434,169	(434,169)
Private Equity	96,102	15.00%	14,415	(14,415)
Property	260,716	15.00%	39,107	(39,107)
Cash & cash equivalents	87,696	0.00%	-	-
Derivatives	(670)	15.00%	(100)	100
Other investment assets	1,418	0.00%	-	-
<b>Total</b>	<b>3,339,773</b>	<b>14.60%</b>	<b>487,599</b>	<b>(487,599)</b>

#### (a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2022 and 2021 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2022	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	72,664	-	-
Assets held in pooled investment vehicles:			
Bonds	185,995	1,860	(1,860)
Multi Asset Credit (MAC)	169,355	1,694	(1,694)
Liability Driven Investment (LDI)	458,960	4,590	(4,590)
<b>Total</b>	<b>886,973</b>	<b>8,143</b>	<b>(8,143)</b>

As at 31 March 2021	Market	Change in net assets	
	Value	+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	87,696	-	-
Assets held in pooled investment vehicles:			
Bonds	192,357	1,924	(1,924)
Multi Asset Credit (MAC)	170,469	1,705	(1,705)
Liability Driven Investment (LDI)	381,311	3,813	(3,813)
<b>Total</b>	<b>831,833</b>	<b>7,441</b>	<b>(7,441)</b>

### (a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2022	Total	Unhedged	Potential
	Exposure	Exposure	Movement
	£'000	£'000	£'000
Overseas equities - quoted	59	30	4
Pooled Investment Vehicles	2,000,444	1,347,789	202,168
Private Equity	132,224	132,224	19,834
<b>Total</b>	<b>2,132,727</b>	<b>1,480,043</b>	<b>222,006</b>

As at 31 March 2021	Total	Unhedged	Potential
	Exposure	Exposure	Movement
	£'000	£'000	£'000
Overseas equities - quoted	52	26	4
Pooled Investment Vehicles	1,807,070	1,209,300	181,395
Private Equity	96,102	96,102	14,415
<b>Total</b>	<b>1,903,224</b>	<b>1,305,428</b>	<b>195,814</b>

### (b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2022 and 31 March 2021.

## DORSET COUNTY PENSION FUND ACCOUNTS

	31 March 2022	31 March 2021
<b>Investment</b>	<b>£'000</b>	<b>£'000</b>
Bank Account Deposits	25,764	33,796
Money Market Funds	46,900	53,900
Assets held in pooled investment vehicles:		
Bonds	185,995	192,357
Multi Asset Credit (MAC)	169,355	170,469
Liability Driven Investment (LDI)	458,960	381,311
<b>Total</b>	<b>886,973</b>	<b>831,833</b>

### (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2022, liquid assets were £2,964M representing 80% of total net assets (£2,711m at 31 March 2021 representing 81% of total net assets at that date).

### NOTE 19. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2019, setting employer contribution rates for the period 1 April 2020 to 31 March 2023.

The next valuation is taking place as at 31 March 2022 and will set employer contribution rates for the period 1 April 2023 to 31 March 2026.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2022 were set at the valuation calculated as at 31 March 2019. The common contribution rates set at the 2019 valuation for the three year period ending 31 March 2023 are as follows.

	2020/21	2021/22	2022/23
Primary rate (future service contributions)	17.70%	17.70%	17.70%
Secondary rate (deficit recovery contributions)	4.00%	4.10%	4.40%
<b>Total employer contributions</b>	<b>21.70%</b>	<b>21.80%</b>	<b>22.10%</b>

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2019 actuarial valuation, the Fund was assessed as 92% funded (83% at the 2016 valuation) with a deficit recovery period of no more than 19 years (22 years at the 2016 valuation). The key assumptions applied by the actuary for the 2019 and 2016 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2019	Valuation 2016
Annual rate of return on investments (discount rate)	5.00%	5.40%
Annual rate of increases in pay (long term)	3.60%	3.90%
Annual rate of inflation (CPI)	2.60%	2.40%

## DORSET COUNTY PENSION FUND ACCOUNTS

### **NOTE 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2022 is set out in the appendix to these financial statements 2021/22.

### **NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)**

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £697k in 2021/22 (£549k in 2020/21).

### **NOTE 22. RELATED PARTY TRANSACTIONS**

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2022 contributions of £3.3m were accrued as at 31 March 2022. Management and administration costs of £2.1m were incurred by the Council and recharged to the Fund in 2021/22. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2022, one member of the Committee was a contributing member of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.1m recharge from the Council includes a charge of £19k for the Deputy Chief Financial Officer's time spent working for the Fund.

### **NOTE 23. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS**

#### **Recovery of withholding tax**

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2022 do not reflect any potential recovery of tax.

#### **Impact of the McCloud and Sargeant judgements**

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 to those members.

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

The Government Actuary's Department's (GAD) estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions. Whilst this looks at the national picture, the impact on any given fund and its scheme employers could be significantly different. The Fund's actuary have calculated the estimated impact on liabilities for the main employers in the Fund based on the assumptions used by GAD. These results range from 0.4% to 0.8% of total liabilities for each employer.





# Dorset County Pension Fund

## Dorset County Pension Fund

IAS26 Report as at 31 March 2022

11 July 2022



## Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

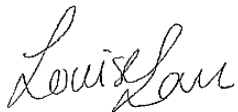
This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website ([www.lgpsregs.org/](http://www.lgpsregs.org/)) and the Fund's membership booklet ([www.lgpsmember.org/](http://www.lgpsmember.org/)).

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

We would be pleased to answer any questions arising from this report.



**Louise Lau FFA**  
**Associate**

## Data used

We have used the following items of data which we received from the administering authority:

31 March 2019	- results of the latest funding valuation
31 March 2021	- results of the latest IAS26 report
31 March 2022	- Fund asset statement
31 March 2022	- Fund income and expenditure items (estimated where necessary) to
31 March 2022	- details of any new unreduced early retirement payments out to

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

## Employer membership statistics

The table below summarises the membership data at 31 March 2019.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	24,516	427,351	46
Deferred pensioners	32,946	40,142	45
Pensioners	22,466	104,902	71

## Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022.

We have been notified of 59 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £498,700.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 9.99%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	1,961,802	53%	1,809,703	54%
Liability Driven Investment	458,960	12%	381,311	11%
Cash	86,353	2%	99,563	3%
Other Bonds	185,995	5%	192,357	6%
Diversified Growth Fund	243,437	7%	164,281	5%
Property	345,765	9%	313,249	9%
Infrastructure	252,133	7%	220,057	7%
Multi Asset Credit	169,355	5%	170,469	5%
<b>Total</b>	<b>3,703,800</b>	<b>100%</b>	<b>3,350,990</b>	<b>100%</b>

## Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, which is estimated to be 21 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	90% / 100%	90% / 100%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.5% p.a.	0.5% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)	31 Mar 2022	31 Mar 2021
Retiring today	Males	23.1
	Females	24.7
Retiring in 20 years	Males	24.4
	Females	26.1

Financial assumptions	31 Mar 2022	31 Mar 2021	31 Mar 2020
	p.a.	p.a.	p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.25%	2.85%	1.90%
Salary increases	4.25%	3.85%	2.90%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

## Results

Net pension asset in the statement of financial position as at	31 Mar 2022	31 Mar 2021	31 Mar 2020
	£000s	£000s	£000s
Present value of the defined benefit obligation	6,273,792	6,281,638	4,786,543
Fair value of Fund assets (bid value)	3,703,800	3,350,990	2,713,601
<b>Net liability in balance sheet</b>	<b>2,569,992</b>	<b>2,930,648</b>	<b>2,072,942</b>

The present value of the defined benefit obligation consists of £6,156,789,000 in respect of vested obligation and £117,003,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022	Year to 31 Mar 2021
	£000s	£000s
<b>Opening defined benefit obligation</b>	<b>6,281,638</b>	<b>4,786,543</b>
Current service cost	239,249	162,424
Interest cost	124,812	111,379
Change in financial assumptions	(301,713)	1,431,794
Change in demographic assumptions	-	(51,824)
Experience loss/(gain) on defined benefit obligation	12,596	(62,322)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(115,373)	(130,306)
Past service costs, including curtailments	2,660	4,922
Contributions by Scheme participants and other employers	29,923	29,028
<b>Closing defined benefit obligation</b>	<b>6,273,792</b>	<b>6,281,638</b>

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
<b>Opening fair value of Fund assets</b>	<b>3,350,990</b>	<b>2,713,601</b>
Interest on assets	67,225	63,817
Return on assets less interest	267,645	571,523
Other actuarial gains/(losses)	-	-
Administration expenses	(2,692)	(2,040)
Contributions by employer	106,082	105,367
Contributions by Scheme participants and other employers	29,923	29,028
Estimated benefits paid net of transfers in	(115,373)	(130,306)
Settlement prices received / (paid)	-	-
<b>Closing Fair value of Fund assets</b>	<b>3,703,800</b>	<b>3,350,990</b>

Sensitivity analysis	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,146,961	6,273,792	6,403,367
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,286,040	6,273,792	6,261,645
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,390,168	6,273,792	6,159,777
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	6,546,524	6,273,792	6,012,978

<b>ACADEMY</b>	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
<b>ACCOUNTING DATE</b>	The date to which an organisation makes up its Financial Statements. Like all local authorities, Dorset Council's accounting date is 31 March.
<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
<b>ACCOUNTING POLICIES</b>	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
<b>ACCRUAL</b>	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
<b>ACCUMULATED ABSENCES ACCOUNT</b>	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, e.g. annual leave entitlement carried forward. It is permitted to have a negative balance.
<b>ACTUARIAL GAINS AND LOSSES</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
<b>ACTUARIAL VALUATION</b>	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
<b>AGENCY SERVICES</b>	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
<b>AMORTISATION</b>	Amortisation is the equivalent of depreciation for intangible assets (see below).
<b>AMORTISED COST</b>	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.
<b>AREA BASED GRANT (ABG)</b>	An Area Based Grant is a non-ring-fenced general grant on which there are no conditions imposed on its usage meaning that the Council has full local control on how the grant can be used.
<b>ASSET</b>	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
<b>ASSETS HELD FOR SALE</b>	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
<b>BALANCE SHEET</b>	A statement that summarises an authority's financial position at the accounting date each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. The bottom half is comprised of reserves that show the disposition of an authority's net worth.
<b>BALANCES</b>	The accumulated surplus of income over expenditure.
<b>BUDGET</b>	A statement of the Council's plans expressed in financial terms.
<b>CALL TO ACCOUNT</b>	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
<b>CAPITAL CHARGE</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long-term value to the Authority (also referred to as capital spending or capital payments).
<b>CAPITAL RECEIPTS</b>	Income from the sale of capital assets (land, buildings, etc.).
<b>CARRYING AMOUNT</b>	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle less the accumulated depreciation.
<b>CASH FLOW STATEMENT</b>	This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.



<b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)</b>	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.
<b>CODES OF PRACTICE</b>	In addition to the Service Reporting Code of Practice (SeRCOP), 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.
<b>COLLECTION FUND</b>	A statutory fund maintained by the council for recording the collection and distribution of council tax receipts. Unitary, Town and Parish Councils; along with the Police and Fire authorities; and central government precepts are met from this fund. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
<b>COLLECTION FUND ADJUSTMENT ACCOUNT</b>	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.
<b>COMMUNITY ASSETS</b>	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An example would be a country park.
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)</b>	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.
<b>COMPONENT ACCOUNTING</b>	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
<b>CONSISTENCY</b>	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENCY</b>	A sum of money set aside to meet unforeseen expenditure.
<b>CONTINGENT LIABILITY</b>	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<b>CORPORATE &amp; DEMOCRATIC CORE</b>	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
<b>COST CENTRE</b>	A specific area of activity where control of certain budgets has been delegated.
<b>COUNCIL TAX</b>	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
<b>CREDITORS</b>	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
<b>CURRENT ASSETS</b>	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
<b>CURRENT LIABILITIES</b>	Amounts owed by the Local Authority which are due to be settled within 12 months.
<b>CURRENT SERVICE COST</b>	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
<b>CURTAILMENT</b>	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
<b>DEBTORS</b>	Amounts due to the Authority but unpaid by the end of the accounting period.
<b>DEPRECIATION</b>	The measure of the use or consumption of a fixed asset during the accounting period.

<b>DONATED ASSET</b>	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".
<b>EMOLUMENTS</b>	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
<b>EARMARKED RESERVES</b>	These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.
<b>ESTIMATION TECHNIQUES</b>	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
<b>FINANCIAL ASSET</b>	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
<b>FINANCIAL INSTRUMENT</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
<b>FINANCIAL LIABILITY</b>	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
<b>FORMULA SPENDING SHARE (FSS)</b>	The Government's assessment of each authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
<b>FULL TIME EQUIVALENT (FTE)</b>	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
<b>GENERAL FUND</b>	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).
<b>HERITAGE ASSET</b>	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
<b>IAS</b>	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all local authorities are now required to comply.
<b>IFRS</b>	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all local authorities are now required to comply.
<b>IMPAIRMENT</b>	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
<b>INFRASTRUCTURE ASSETS</b>	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
<b>INVENTORIES</b>	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
<b>INVESTMENT PROPERTY</b>	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
<b>LEASE (EMBEDDED LEASE)</b>	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
<b>LEASE (FINANCE LEASE)</b>	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
<b>LEASE (OPERATING LEASE)</b>	Any lease which is not a finance lease.

<b>LOCAL MANAGEMENT IN SCHOOLS (LMS)</b>	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the Council.
<b>MEASUREMENT</b>	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.
<b>MEDIUM TERM FINANCIAL PLAN (MTFP)</b>	The Council's five-year, rolling, financial plan.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	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.
<b>MOVEMENT IN RESERVES STATEMENT (MIRS)</b>	This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	Billing authorities (District, Borough and Unitary Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
<b>NON-CURRENT ASSETS</b>	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
<b>NON-DISTRIBUTED COSTS (NDC)</b>	Overheads for which no user benefits, and therefore not apportioned over services.
<b>NON-OPERATIONAL ASSETS</b>	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
<b>OPERATING SEGMENTS</b>	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an authority's internal management reporting, for example departments, directorates or portfolios. Dorset Council has chosen Directorates as its operating segments.
<b>OTHER OPERATING INCOME AND EXPENDITURE</b>	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement, but which should not be charged to specific services.
<b>OUTTURN</b>	The final actual income and expenditure earned or incurred in the financial year
<b>PAST SERVICE COST</b>	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>PRECEPT</b>	A levy requiring the Council to collect income from council taxpayers. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
<b>PROVISIONS</b>	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RELATED PARTY</b>	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to Dorset Council if, for example, a person employed by Dorset Council has significant influence over the entity or is a member of the key management personnel of that entity.
<b>RESERVES</b>	Sums set aside and earmarked to meet the cost of specific future expenditure.
<b>RESIDUAL VALUE</b>	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
<b>REVALUATION RESERVE</b>	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority

	to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
<b>REVENUE EXPENDITURE</b>	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)</b>	<p>This is principally expenditure of a capital nature on properties which the Council does not own and which are not included in its asset register, and which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.</p> <p>This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.</p>
<b>REVENUE SUPPORT GRANT (RSG)</b>	A general central government grant paid to a local authority in support of its day to day expenditure and distributed on a formula basis.
<b>RUNNING COSTS</b>	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
<b>SECTION 106 RECEIPTS</b>	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.
<b>SEGMENTAL ANALYSIS</b>	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
<b>SERVICE CONCESSION</b>	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
<b>SOFT LOAN</b>	A loan with an interest rate below market rates.
<b>SPECIFIC GRANTS</b>	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
<b>SUBSEQUENT EXPENDITURE</b>	Expenditure which is incurred on an asset after it has begun its useful economic life.
<b>SURPLUS ASSETS</b>	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
<b>THIRD PARTY PAYMENTS</b>	The cost of specialist or support services purchased by the Council from outside contractors or other bodies.
<b>TOTAL COST</b>	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
<b>TRADING UNDERTAKING</b>	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
<b>TRUST FUNDS</b>	Funds administered by the Authority for such purposes as prizes, charities and special projects.
<b>UNUSABLE RESERVES</b>	Those reserves that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
<b>USABLE RESERVES</b>	Those reserves that can be applied to fund expenditure or reduce local taxation.