Financial Statements 2016/17

Working together for a strong and successful Dorset

Dorset County Council

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The purpose of this publication is to provide the Statutory Financial Statements for Dorset County Council for the period from 1 April 2016 to 31 March 2017.

This document also includes summary information relating to the Dorset County Pension Fund, which the County Council administers on behalf of its own staff and those of other Dorset Local Authority employees and certain other admitted bodies.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, 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 and Poole are administered by separate, Unitary Authorities serving those areas.

During 2016/17 the County Council agreed some amendments to its governance structure, making changes to some of its committees. Full Council and the Executive (Cabinet) are now supported by three outcome focused overview and scrutiny committees. Their respective terms of reference directly support the Council's Corporate Plan. These changes saw the establishment of the Economic Growth; Safeguarding; and People and Communities Overview and Scrutiny Committees. Each of these meet quarterly 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. An informal Overview and Scrutiny Management Board has also been established to discuss and coordinate the work across these committees. The Council's remaining statutory responsibilities continue to be delivered through existing arrangements (e.g. Health Scrutiny Committee, Regulatory Committee, School Appeals etc.). The Overview and Scrutiny Committees are linked to the Council's stated outcomes of safe, healthy, independent and prosperous.

Further details about the County Council, the six District Councils in Dorset and their respective services are available on the web site www.dorsetforyou.com.

Certification by Chief Financial Officer
I certify that these Financial Statements give a true and fair view of the financial position of Dorset County Council and of its financial performance for the year ended 31 March 2017.

These Financial Statements were authorised for issue as draft, subject to audit, on 15th May 2017 and authorised again as a final, audited set of financial statements on 24th July 2017.

Richard Bates
Chief Financial Officer

24th July 2017

Independent auditor’s report to the members of Dorset County Council

We have audited the financial statements of Dorset County Council for the year ended 31 March 2017 on pages 39 to 76. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority’s and the Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority’s and the Group’s expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 77 to 84 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition)
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Dorset County Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Dorset County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Dorset County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Dorset County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Dorset County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by 24 July 2017

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by 24 July 2017

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Pension Fund with the pension fund accounts included in the financial statements of Dorset County Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Gilbert
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Gateway House
Tollgate
Chandler's Ford
SO53 3TG

24 July 2017

Financial performance against budget

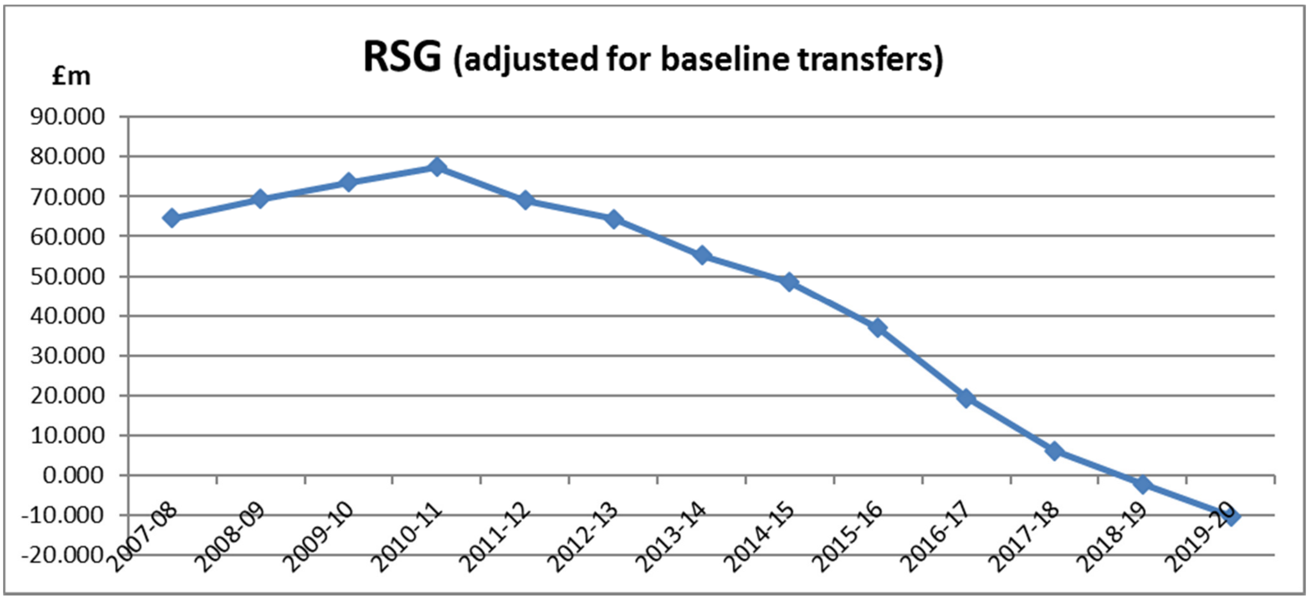
Performance against the approved, revenue budget for the year to 31 March 2017 was an overspend of £5.3m against service budgets (2016: £3.8m). This was offset by underspends of £3.2m on central budgets - mainly the contingency fund and corporate costs - including capital financing (2016: £3.1m). The net performance was therefore an overspend of £2.1m; £1.4m higher than the 2016 equivalent figure of £0.7m. The analysis of performance against budget and how this feeds through to movements in the Authority's General Fund is shown in the Expenditure and Funding Analysis (EFA) on page 46.

The 2016/17 budget was the first to be based on the Government's Spending Review 2015 (SR2015); the first year of four included in a multi-year financial settlement offered to all English Local Authorities. As part of the Medium Term Financial Plan (MTFP) Members gave careful consideration to the risks of accepting this four-year offer, especially given the impact that the funding method had on the County Council's Revenue Support Grant (RSG) in later years.

Accepting the four-year deal gave rise to an efficiency plan which was approved by Cabinet on 14th December 2016 and which can be viewed on dorsetforyou.com.

As noted, SR2015 brought further funding reductions for the County Council on top of general funding cuts from previous years, which are summarised in Chart 1, below.

Chart 1



When added to demographic, price and other upward pressures on expenditure, this resulted in a budget gap of more than £10m for the year. By the time the 2017/18 budget round had also concluded this took the County Council's savings total to over £105m since 2011 as shown in Chart 2.

Chart 2

SAVINGS SUMMARY	11-12 £'000	12-13 £'000	13-14 £'000	14-15 £'000	15-16 £'000	16-17 £'000	17-18 £'000
- Adult and Community Services	8,104.0	5,179.8	8,628.0	3,900.0	9,050.0	1,602.0	7,110.0
- Children's Services	4,020.9	2,089.1	2,063.2	1,344.0	900.0	3,865.0	4,178.6
- Environment	6,029.8	2,778.5	2,110.2	722.0	1,664.0	2,346.0	4,473.0
- Chief Executive	2,264.8	971.8	1,498.7	896.0	930.0	1,214.0	1,132.0
- Public Health				500.0	275.0		700.0
- Dorset Waste Partnership							700.0
- Overarching	5,169.5	2,125.8	2,231.6	1,050.0	2,450.0	576.0	0.0
Total	**25,589.0**	**13,145.0**	**16,531.7**	**8,412.0**	**15,269.0**	**9,603.0**	**18,293.6**

The County Council identifies savings through its *Forward Together* transformation programme, which is managed by the Forward Together Board. The Board comprises The Chief Executive and Directors and Members of the Cabinet. Despite an excellent track record of success, achieving savings from a budget which is continually reducing in real terms is very challenging and 2016/17 was the first year in which savings targets were not all achieved. Of the £9.6m of savings targeted for the year some £2.7m were not delivered – and were, in fact, reflected within the overall overspend highlighted at the start of this narrative. Chart 3 summarises the savings achieved during the year.

Chart 3

More details of performance against budget are set out in the financial statements and the notes to the accounts. The following paragraphs also set out some of the main highlights and operational and financial issues encountered during the year.

Performance

For 2016/17 the County Council took the decision to adopt a new approach to its Corporate Plan. The Authority agreed an Outcomes Framework approach. This consists of four outcomes; People in Dorset are **Safe**, **Heathy** and **Independent** and that Dorset's Economy is **Prosperous**. To enable these key outcomes to be periodically tracked and monitored the Cabinet, together with the Audit and Governance and Overview and Scrutiny Committees, are provided with 'outcomes focused monitoring reports' which provide data to help assessment and challenge to take place (these reports are widely available to the public on dorsetforyou.com). Through this process elected members are able to make a balanced judgement as to whether they have the required assurance that satisfactory progress is being made against the Corporate Plan. Equally, where necessary, they are also able to commission further oversight and scrutiny work into areas of interest and/or concern to achieve a fuller understanding and identify potential improvement opportunities. Ultimately the County Council will want to ensure that its activity is a making a positive contribution to the achievement of these outcomes or, in other, words be able to answer the key question; are we making a difference?

There is a monthly Adults Budget and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate Scorecard covering all aspects of Directorate performance. All Budget managers are also required to submit a performance report for these meetings covering their budget, HR and operational performance.

Finance has a slot at Children's Services Leadership Team every week. Once a month there is an in depth review of an Assistant Director's service area with each area being reviewed on a quarterly basis, where finance, performance, risk and HR data is discussed. The scorecards are discussed each month for all high risk services. There are also monthly briefings and budget discussions at the Strategy Delivery Group of Senior Managers.

There is a monthly Environment and Economy Finance and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate financial position as well as other aspects of performance, e.g. HR sickness statistics etc.. All Budget managers are also required to submit a quarterly financial performance report to the Director, which is considered at a separate specific quarterly meeting.

Both financial and operational performance are considered on a monthly basis via the Dorset Waste Partnership Senior Management Team meetings.

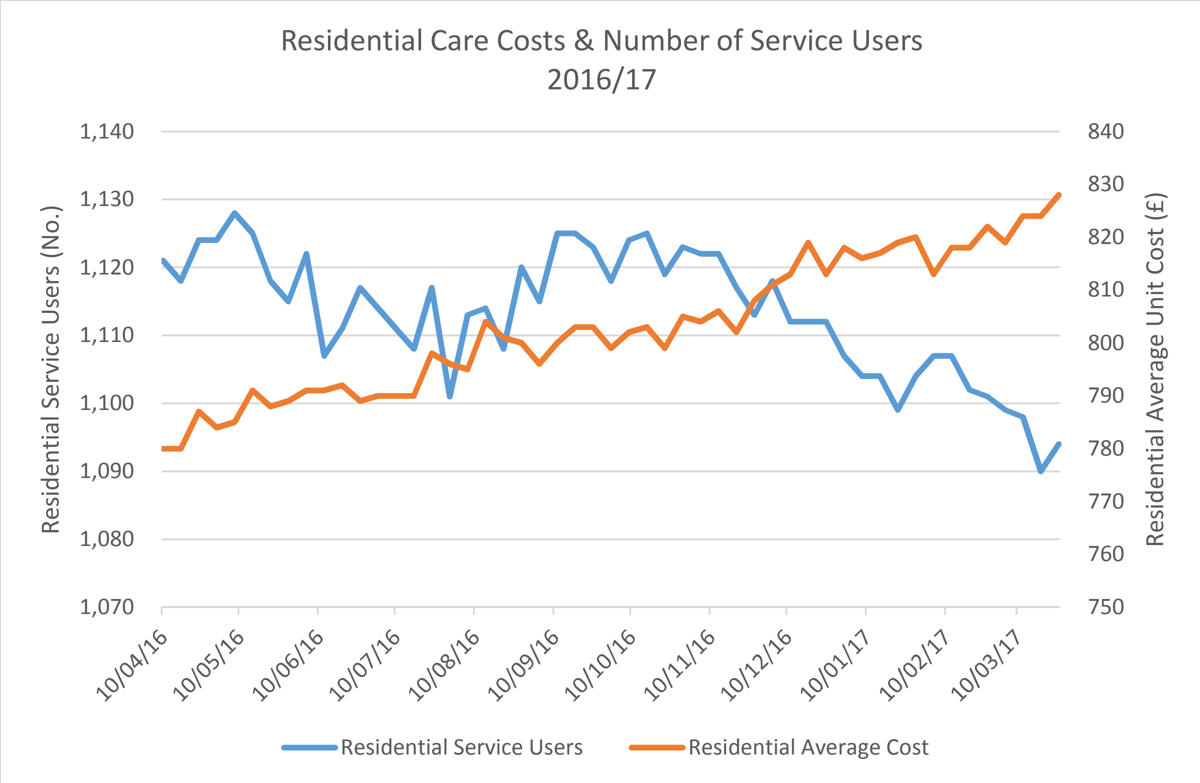
Adults and Community Services

Adult and Community Services is the largest Directorate in the County Council. The Directorate's approved net revenue expenditure budget is £122.2m, which is 44% of the County Council's net budget.

The current economic situation continues to be extremely challenging. With the need to achieve efficiency targets, the Directorate faces significant challenges in delivering its commitments to service users in the medium term.

In line with national trends, the cost of adult social care services in Dorset continues to rise and is predicted to do so for many years to come. The key factors affecting spend are increased costs of care through increasing off framework contract purchasing and lack of market management; pick-up of Continuing Health Care cases totalling around £1.7m; "capital below" cases and increased acuity or complexity of packages of care. Chart 4, below shows the reduction in numbers of those in receipt of residential care reducing against the increasing average cost for residential care - £828pw from £780pw an increase of 6.2%.

Chart 4



Improved Better Care Fund monies totalling £7.4m will be received in 2017/18, most of which is one-off money and therefore does not help with the ongoing financial position. The Directorate remains committed to a savings programme of £7.1m to balance the budget for the coming year, including initiatives to re-tender the Care & Support at Home contracts, review the appropriateness of many packages of care and increase income.

Children's Services

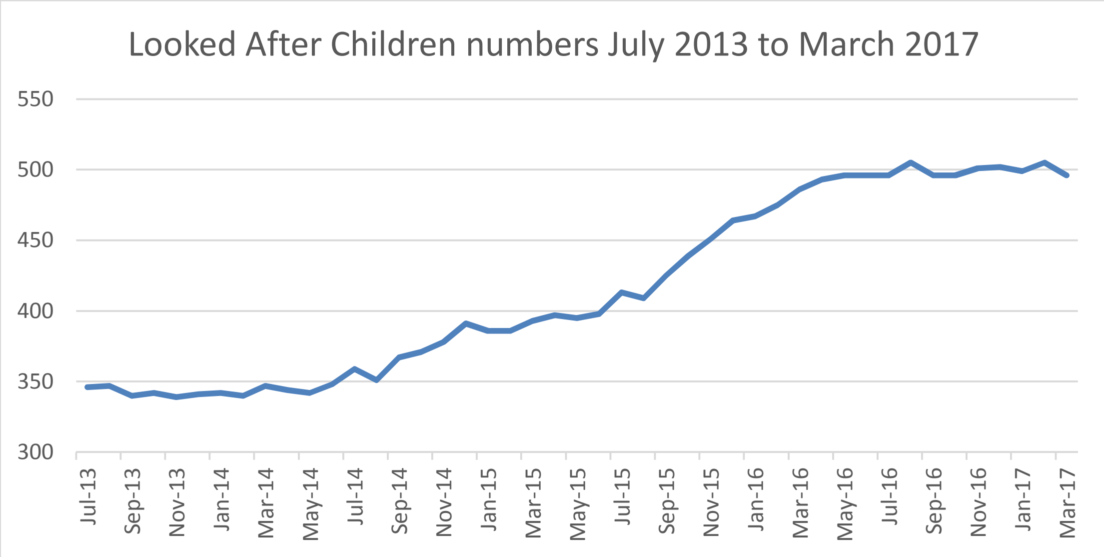
Children's Services has overall safeguarding responsibility for more than 82,000 0-18 year olds across the County. There are 116 local authority maintained schools teaching nearly 33,000 pupils and a further 57 academies or free schools teaching over 22,000 pupils funded directly by central government. The County Council is responsible for providing school places and an additional 300 were made available during 2017/18, through a combination of new building and reconfiguration of existing space in the estate.

As part of its safeguarding role the County Council has seen an increase in the number of children that have been taken into its care during 2016/17. The graph below shows the monthly picture since July 2013, which has seen numbers in care increase steadily from a relatively stable figure of around 345 start to 496 at 31st March 2017.

Work is taking place to reduce the total number of children in care to around 400 by the end of the next calendar year, which will be achieved partially through demographic changes and the impact of the early intervention work and permanency planning now taking effect.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 5



In January 2017 there was an area inspection of Special Educational Needs service for children, which resulted in Dorset County Council having to put in place an improvement plan for its SEN services. There will be more resources required in this area and a contingency bid is being prepared to ensure that the necessary service improvements can be delivered. The High Needs Block of the Dedicated Schools Grant, significiantly overspent its allocation and work needs to be done to bring the expenditure in line with the funding in 2017/18.

There were a number of key restructures that took place during the year. The reshaping of the Care and Protection service saw a change to the focus of the service with specific teams now dedicated to the prevention of children from coming into care and a dedicated team to seek permanency options for those children already in care. Agency costs have continued to be a problem during the year, with there being more than 50 agency social workers engaged at one point during the year, placing pressure on the budget. A recruitment campaign during the final quarter of the financial year has seen these numbers reduce.

During 2016/17 the 2015 review of support for young people was implemented. The Youth Service has been transformed to support our most vulnerable young people and empower young people to take social action, while significantly reducing costs.

This resulted in the creation of a targeted youth service, which has been modelled using predictive data to identify the young people who would most benefit. In tandem, co-production with local communities has enabled them to provide local opportunities by transferring assets and providing developmental support to them.

At the start of the financial year the County Council ran 22 youth centres. In September 2016, it ceased to provide an open access youth service and established a targeted youth service. The buildings were transferred to community groups, or retained by the council for wider community purposes which allowed for the delivery of youth clubs by community groups. 20 centres are now running, or planning to run youth clubs through community groups. Of the two centres which are no longer open, one was at the end of its lease while the other was on a school site earmarked for closure and demolition.

This approach has helped to redefine the relationship between the local authority and the public in supporting the well-being of children, young people and their families.

Environment and the Economy

Dorset has:

- 1,406 square km of Areas of Outstanding Natural Beauty, covering 55% of its total land area
- 135 Sites of Special Scientific Interest, covering 18,730 hectares
- 9 National Nature Reserves
- 62 Regionally Important Geological and Geomorphological Sites (with further under consideration)
- 1,227 Sites of Nature Conservation Interest
- 91 km of heritage coast
- 114 km of the Jurassic Coast-World Heritage site
- 85% of British mammal species can be found in Dorset, along with 90% of our birds, 80% of our butterflies, 70% of our dragonflies, and all of our native reptiles and amphibians.

The Environment and Economy Directorate maintains:

- 3,753km of roads
- 2,282km of footpaths and cycle ways
- 1,450 other structures including bridges
- 47,405 street lights, illuminated signs and bollards
- 7,844 traffic control and information systems.

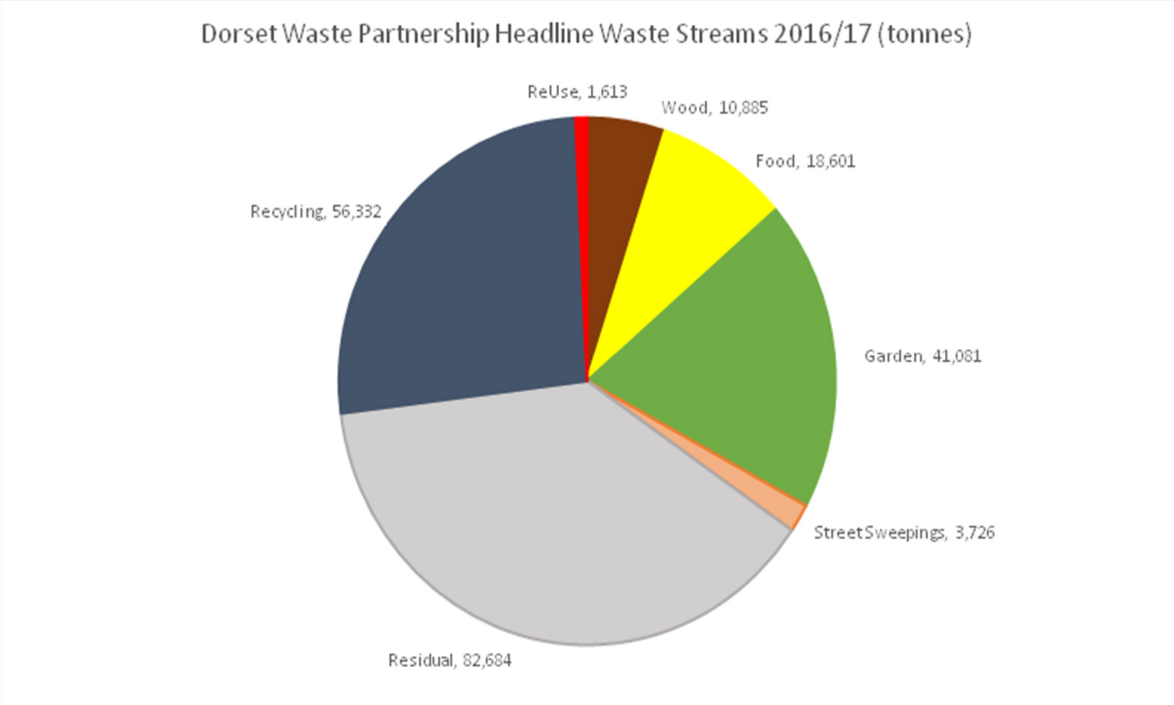
In addition, the Directorate oversees the provision of public and schools transport in Dorset, providing financial support to 35 public routes as well as promoting the Dorset economy through activities such as the *Superfast Broadband* project which will bring a superfast service to over 95% of Dorset premises. The Directorate also has responsibility for the provision of Information Technology and handles customer contact and enquiry resolution for over 40 council services including the Dorset Waste Partnership.

Dorset Waste Partnership

The County Council, in partnership with the six District and Borough Councils in Dorset, provides the waste collection and disposal services to Dorset's residents and visitors, through the Dorset Waste Partnership.

About 215,000 tonnes of waste was collected in 2016/17 with the tonnage, by type of waste, shown in Chart 6.

Chart 6



Recycling rates are around 60%, which compares favourably with the national average in England of around 44%.

Staffing and restructuring

During the year there was further reorganisation and restructuring work as the council transitioned to deliver a lower cost organisation and manage cuts to its funding from central Government.

Note 17 to the accounts covers the required disclosures for the County Council's senior staff and also bandings of salary earnings for employees with remuneration in excess of £50,000 per annum. Information is also disclosed, in note 18, around exit packages and termination benefits during the year. Headline FTE numbers reduced by 156 to 6,957 in the year (by 102 to 3,205 excluding schools).

Chart 7

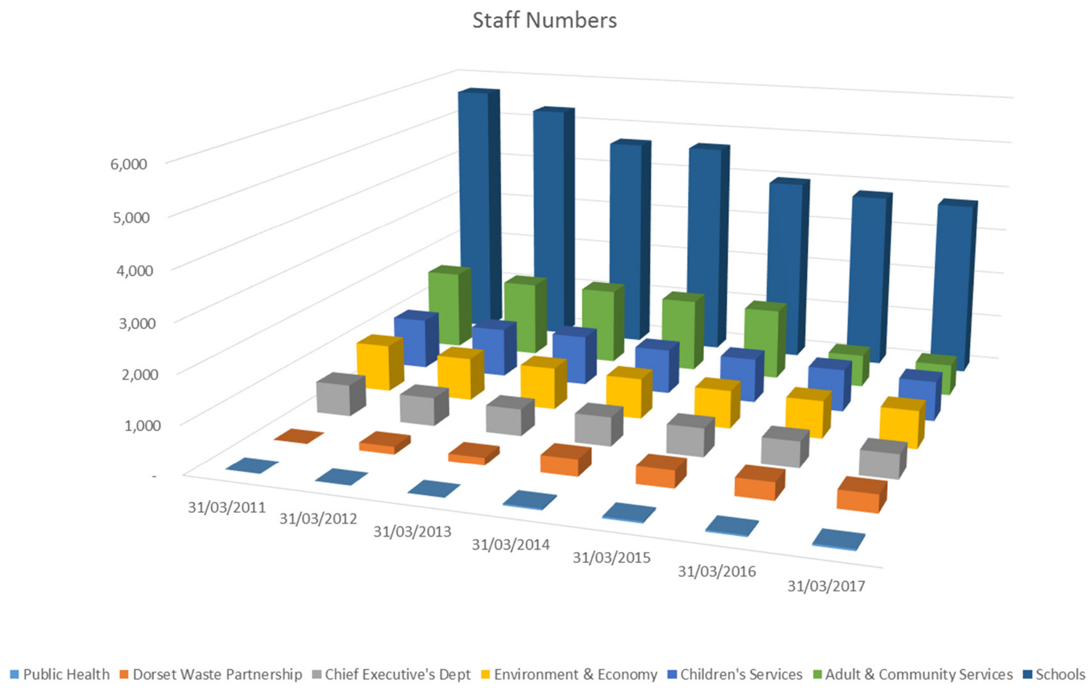
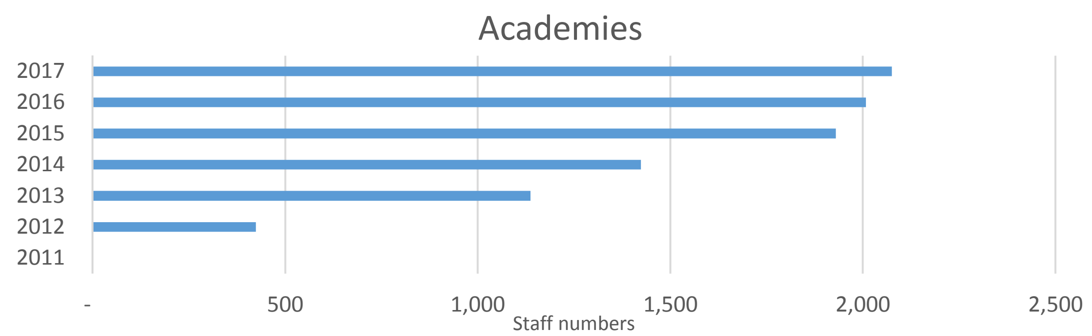


Chart 8

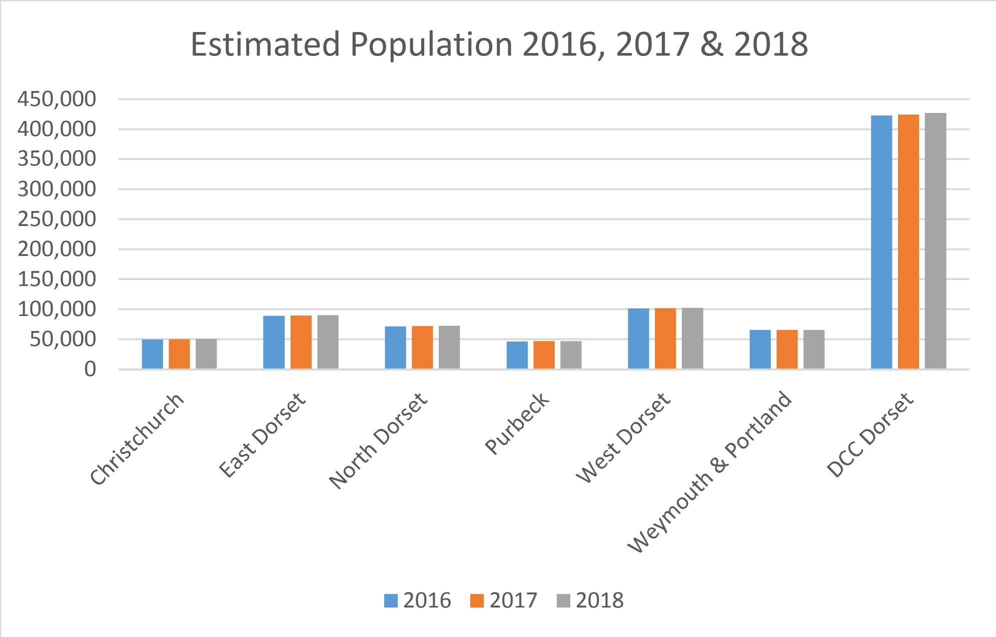


Population Data

The County Council provides services to a total estimated population of 424,550 (2016 422,500), with the projection for 2018 being 426,719. The graph below shows the population across the Borough and District council boundaries within the region of Dorset that is served by the County Council.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 9



Source: 2015 based District Projections, Dorset County Council and Office for National Statistics

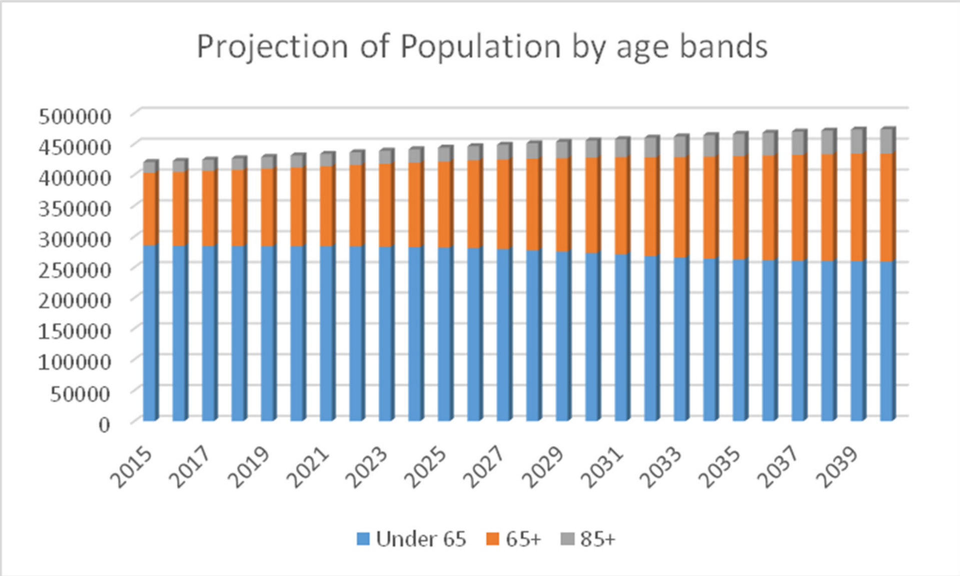
There are significant demographic challenges in the population of Dorset's residents with an estimated 32% being over 65 years of age, and 4% being over 85 years by 2017. Future projections show these numbers steadily growing, with an estimated 45% being over 65 years of age and 8% over 85 years of age by 2040.

Chart 10

	Age			
Year	Under 65	Over 65	65+	85+
2015	68%	32%	28%	4%
2020	66%	34%	30%	5%
2025	64%	36%	31%	5%
2030	60%	40%	34%	6%
2035	56%	44%	36%	8%
2040	55%	45%	37%	8%

NARRATIVE STATEMENT TO THE ACCOUNTS

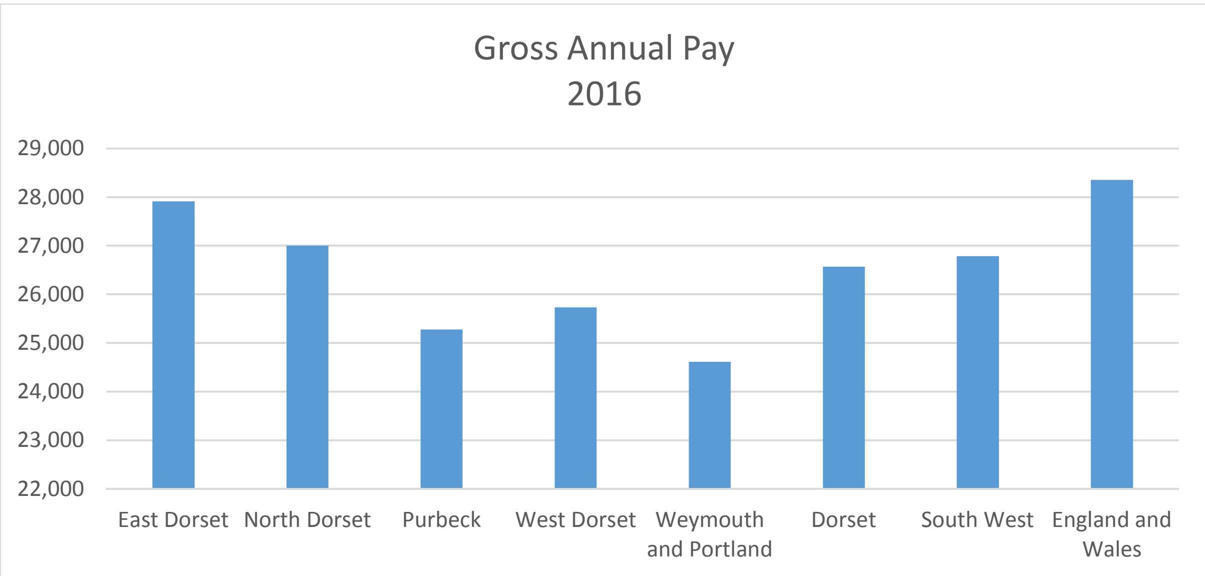
Chart 11



Source: 2015 based District Projections, Dorset County Council and Office for National Statistics

The average full time earnings for the area served by the County Council is shown on the chart below, across the council boundaries and in comparison with the South West and with England and Wales. The full time earnings for Dorset are lower than for the South West, and lower than for England and Wales.

Chart 12

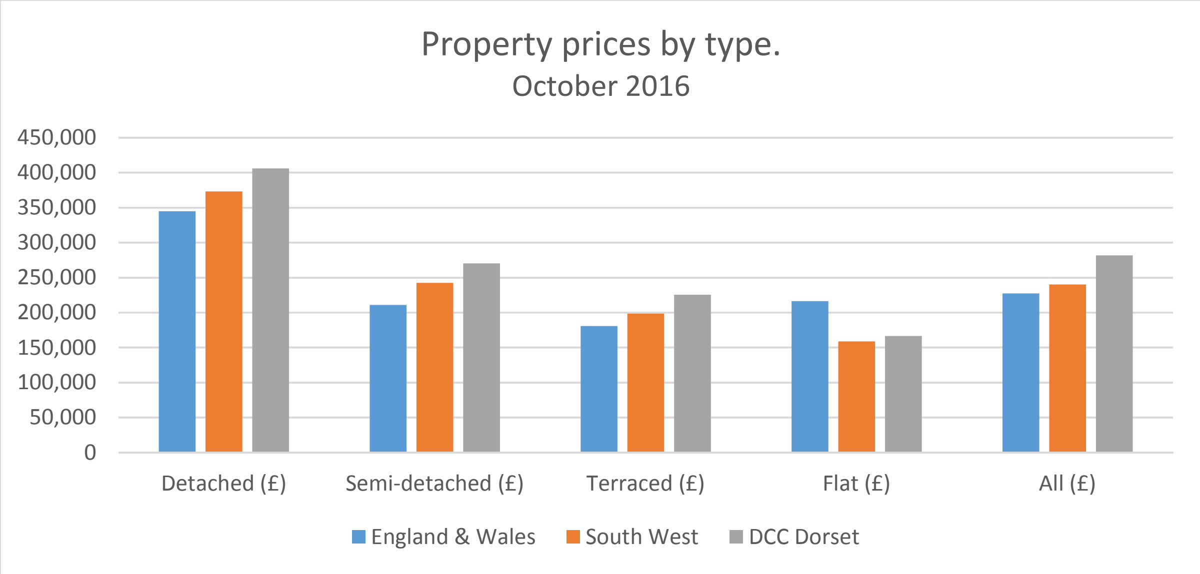


Source: Annual Survey of Hours and Earnings 2016, Office for National Statistics.

NARRATIVE STATEMENT TO THE ACCOUNTS

The average price of properties in the region of Dorset served by the County Council is shown below, compared with the South West and with England and Wales. The average price of properties in Dorset is higher than the South West region, and higher than for England and Wales.

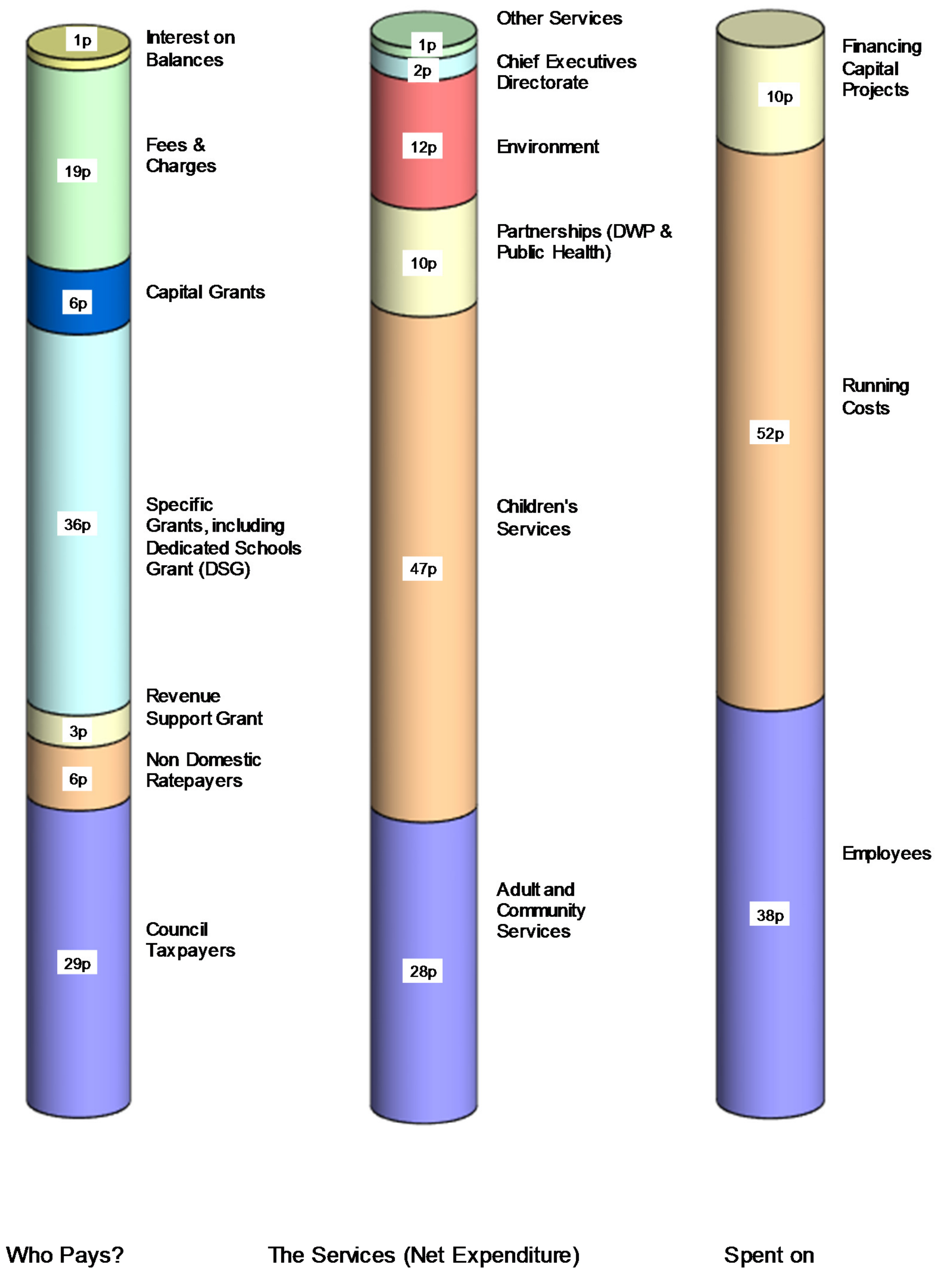
Chart 13



Source: House Price Index, Land Registry

NARRATIVE STATEMENT TO THE ACCOUNTS

Where the money comes from - and how each £1 is spent

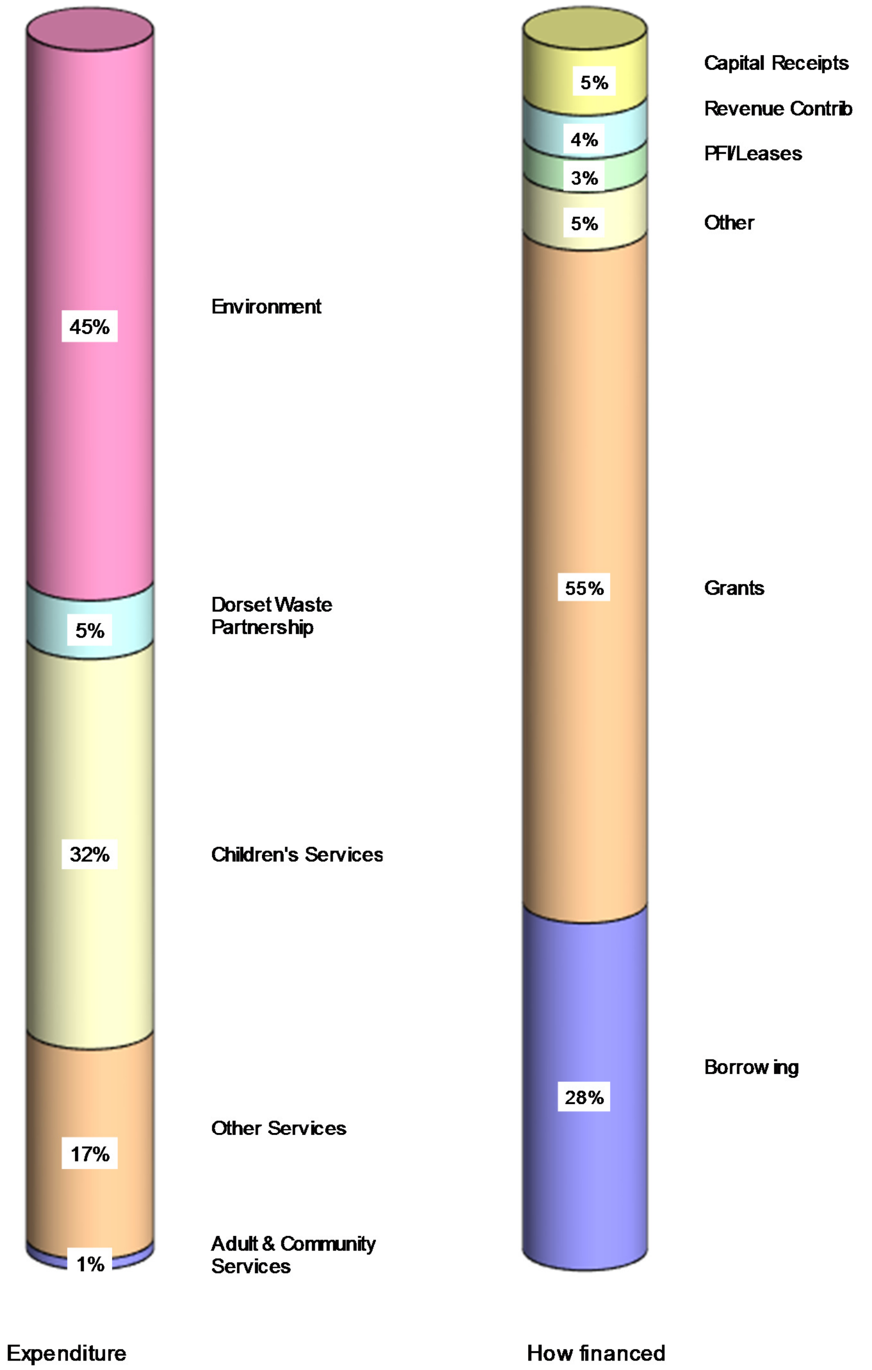


The columns show the proportion of each £1 that is received from or spent on the indicated categories. The first column shows the sources of income to the County Council, the second indicates the demands on the County's resources made by each service, and the third column shows how the money is spent in terms of employee costs, running costs and capital charges.

Capital Spending

The following charts show how the capital spending for the year of £69 million is distributed over the services provided by the County Council, and how it is financed.

Environment Services includes countryside, county farms and highways. Other services includes IT equipment.



Reserves & balances

A full analysis of the Authority's reserves is provided in the financial statements and in the notes to the accounts. The level of usable reserves (those which the Council can use to deliver services) decreased by £9.7m during the year. The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose, see note 52) decreased by £2.4m, mainly due to the overspend on service budgets during the year. The balance of the general fund, at £12.4m, is above the lower end of our designated operating range which spans £10m to £20m.

Spending Review 2015 and the local government finance settlement resulted in a reduction of nearly £18m to the County Council's base funding for 2016/17. Not only was the level of reduction significant but there was no warning or consultation on the changes to the funding formula that delivered this outcome. As a result, when setting the budget strategy for 2016/17 the County Council had to apply £2.2m of its reserves to achieve the balanced budget required by statute. The funding reductions themselves continue past 2016/17 however, and despite prudent use of reserves to balance the 2016/17 position, the Council will lose a further £30m of funding by the end of the current MTFP period.

Borrowing and funding sources

The Prudential Borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Before 2005/06 the Council did not exercise its powers to borrow for expenditure not supported by Government grant. However, primarily to provide funding for the schools modernisation programme in the capital programme, from 2005/06 the County Council borrowed without grant funding support. At the end of 2016/17 the County Council's capital financing requirement was £336.3m, with £37.6m relating to PFI schemes and finance leases. Total external borrowing was £213.3m with the remainder financed temporarily from internal balances.

Liquidity and cash flow

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. The cash flow statement shows a net cash increase of more than £12m over the year. This was mainly due to the net draw-down of £29m of short-term borrowing to help fund net cash outflows from operating activities and investing activities.

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 year.

Debt management

During the year the council carried out a fundamental review of its debt management policy and procedures as part of the restructure of the Financial Services team. A key priority for the revised policy was to align income management policies, processes and responsibilities to distinct customer groups rather than to the County Council teams which dealt with those groups. It was imperative to deliver better segmentation of our customers to ensure we manage each customer group according to their rights and obligations rather than trying to adopt credit management policies which are not fit for particular customer groups.

This work, combined with a culmination of a number of cases coming to fruition meant that a significant amount of irrecoverable, old debt was cleared out of the system during the year.

An analysis of the £471k cleared out of the system is being reported to the Audit & Governance Committee in line with the revised debt management policy.

In clearing a significant level of old, irrecoverable debt, the average age of debt has reduced and now stands at 171 days. This is still too high as a headline figure but detail will be provided to Audit & Governance Committee to clarify where debts and ageing are a result of Government policy which the County Council cannot control compared to “trade debt” which the County Council is relatively better able to pursue under more traditional, legal remedies.

As part of the policy review, the County Council took a more prudent approach to bad debt provision, increasing the rate and reducing the age at which bad debt would attract full provision. Despite this more prudent approach, the impact of the write-off during the year was to reduce the total value of debt being provided for, resulting in a reduction in the provision from £1.86m in 2016 to £1.45m at 31 March 2017. Again, this is work in progress and in 2017/18 the Council will move to 100% general provision for all debts over six months old.

Clearly it is important for the improvements in debt management to be sustained and to that end, a report will be taken to each meeting of the Audit & Governance Committee from now on. The County Council is also much more proactive about use of online debt recovery facilities. There has also been a significant channel shift over the course of the last 12 months with the total number of customers paying by direct debit having increased from 21,314 to 29,502 and the average time taken to collect payment (when not made at the time of ordering or through direct debit) reducing from 36 days to 25 days.

Changes in statutory functions

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

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.

Local Government Reorganisation Update - July 2017

At the time of writing, we are still awaiting a ‘minded to’ announcement from Government on LGR in Dorset. We remain hopeful that we might receive some news before the summer recess and the ‘go live’ date for the new authorities is still scheduled for April 2019. The proposals that were democratically voted for, are a chance to make Dorset a more successful, healthy, vibrant and prosperous county for everyone who lives here.

Pension Fund

Note 11 to the Pension Fund Accounts (Appendix C) shows that the Fund as a whole had investment assets of £2.736bn at 31 March 2017 compared to £2.276bn at 31 March 2016, an increase of approximately 17% and significantly ahead of the £0.999bn low of the financial crisis at 31 March 2009. The increase in asset values in 2016/17 has largely been driven by the significant depreciation of sterling against other major currencies in year, leading to the increase in the sterling values of the Fund’s overseas holdings and its UK holdings with substantial income streams denominated in foreign currencies. The triennial valuation conducted by the Fund’s actuary as at 31 March 2016 valued net liabilities at £452m, up from £413m at the last such valuation as at 31 March 2013, with a funding level of 83% (net asset values as a proportion of total discounted liabilities), up marginally from 82% at 31 March 2013. This is not an immediate problem for the Fund as the liabilities are long term in nature and represent all future retirement commitments, however a review of the Fund’s funding and investment strategies will be undertaken in 2017/18.

NARRATIVE STATEMENT TO THE ACCOUNTS

Basis of preparation

The accounts for 2016/17 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2016/17

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2017. This includes an interpretation of the financial statements, including the Group Accounts, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

In addition, separate summarised accounts are included in this document for the Dorset Pension Fund.

Each set of accounts has its own explanatory notes, which provide further information.

The Primary Financial Statements comprise:

i) Comprehensive Income and Expenditure Statement (Pages 39 to 42)

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. The layout is different from the previous annual accounts, which was based on the CIPFA Service Reporting Code of Practice (SERCOP). This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the statement of movement in reserves.

There are separate statements for DCC as a single-entity and the DCC group.

ii) Balance sheet (statement of financial position) (Page 43)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The balance sheet identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group.

iii) Statement of Movement in Reserves (Pages 44)

This statement shows the movement from the start of the year to the end on the different reserves held by the County Council, analysed into 'usable reserves' (i.e.

those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in 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 statutory General Fund Balance movements in the year following those adjustments.

The Statement of Movement in Reserves identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group

iv) Cash Flow Statement (Page 45)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority 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 authority'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.

The statement includes DCC as a single-entity as well as the DCC group.

As well as the four, primary Financial Statements, 2016/17 sees the introduction of a new statement into the accounts which is described below.

v) Expenditure and Funding Analysis (and notes) (Page 46 to 47)

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, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The notes to the Expenditure and Funding Analysis splits the adjustments between funding and accounting basis by those for capital purposes, pensions and other differences, with an explanation and summary of those adjustments.

vi) Notes to the Financial Statements (Page 48 to 76)

These give further information and explanations of the figures in the primary financial statements. There are disclosures covering the single-entity and consolidated (group) information.

vii) Dorset County Pension Fund Accounts and Notes (Appendix C)

These summarise income and expenditure transactions and net worth of the Dorset Pension Fund, followed by further explanatory notes relevant to the Pension Fund.

Richard Bates

Chief Financial Officer

24th July 2017

David Harris

Chair of the Audit & Governance Committee

24th July 2017

STATEMENT OF RESPONSIBILITIES

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

The County Council is responsible for:

- securing appropriate arrangements for the proper administration of its financial affairs and ensuring that the nominated officer, namely the Chief Financial Officer, has the responsibility for them;
- managing its affairs so as to ensure the economic, effective and efficient use of resources and the safeguarding of assets;
- approving the Financial Statements.

The Chief Financial Officer is responsible for:

- the preparation of the Council's Financial Statements (including those of the Dorset County Pension Fund) so as to ensure they give a true and fair view of the financial position at the accounting date and its income and expenditure for the year;
- selecting suitable accounting policies and applying them consistently;
- making reasonable and prudent judgements and estimates;
- complying in all material aspects with the Code of Practice on Local Authority Accounting in the United Kingdom and Service Reporting Code of Practice;
- keeping proper, up to date, accounting records, and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Further information about policies, procedures, publications and contact details for the County Council and other relevant local authorities can be found on the dorsetforyou.com web site.

1 INTRODUCTION
These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

2 ACCOUNTING CONVENTIONS & MEASUREMENT BASES
The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in accounting policies or notes, or where required by 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 and liabilities. The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

3 REVENUE RECOGNITION
The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The County 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.

4 CHANGE OF ACCOUNTING POLICIES
Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. 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 PRIOR PERIOD ADJUSTMENTS
Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors. 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.

6 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. Non-adjusting events are disclosed in the Financial Statements if 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.

7 FINANCIAL INSTRUMENTS

In accordance with IFRS 7 and IFRS 9, financial assets and financial liabilities are recognised in the Authority's Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Financial assets

The Authority has three classes of financial assets being:
(a) cash and cash equivalents
(b) investments
(c) trade receivables.

Trade receivables are recorded within debtors and payments in advance and included in note 34.
Investments are shown either as long term investments or temporary investments in the Balance Sheet and analysed in note 31.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account (though this itself netted off within the receivables total). Changes in the carrying amount of the provision account are recognised in the Comprehensive Income & Expenditure Statement.

Cash and cash equivalents

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 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.

Financial liabilities
The Authority's financial liabilities are classified within the other creditor or liability headings as appropriate and disclosed within the notes to the Financial Statements.

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.

8 CONTINGENT LIABILITIES
In accordance with IAS 37, a contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or;
(b) a present obligation that arises from past events but is not recognised because;
(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or;
(ii) the amount of the obligation cannot be measured with sufficient reliability.

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

9 AGENCY ACCOUNTING
Council Tax and Non-Domestic Rates (NDR) revenues are reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. The County Council also shows a share of the Billing Authorities' debtors and creditors for Council Tax and NDR, proportionate to the relative demand on the Collection Fund.

10 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 County Council (such as a Voluntary Aided school), the expenditure is charged directly to the relevant service in the year it occurs, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

11 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 County 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 from 2 to 4 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.

12 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.

13 GRANTS & THIRD PARTY CONTRIBUTIONS

All grants and contributions are realised in the Comprehensive Income & Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled, in accordance with IAS 20. Capital grant is initially transferred to the Capital Grants Unapplied Account. When the associated capital expenditure has been incurred, the grant is transferred to the Capital Adjustment Account. Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

14 INTEREST

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.

15 INVESTMENTS

The Authority holds no investments in companies or marketable securities. Short-term cash surpluses are invested with other Local Authorities, banks and building societies in accordance with the CIPFA Code on Treasury Management as detailed in the notes to the Financial Statements. Details of investments held by the Pension Fund are disclosed in the notes to the Pension Fund Financial Statements.

16 LEASES

In accordance with IAS 17, leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.

For operating leases where DCC is the lessee, lease payments are recognised as an expense in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.

For finance leases where DCC is the lessee, at the start of the lease term, the Authority records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where Dorset County Council is the lessor, lease receipts are recognised as income in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis. Where Dorset County Council is the lessor for a finance lease, at the commencement of the lease term, the Authority records a finance lease in the Balance Sheet as a receivable, at an amount equal to the net investment in the lease.
The Authority recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

17 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. Dorset County Council has no such arrangements in place.

18 PFI schemes

The County 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 Authority 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.

19 OVERHEADS (SUPPORT COSTS)

Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the Authority. These activities are fully allocated over all services on the basis of use. Time recording systems are operated by central support services to enable more accurate recharges of costs to customers. Charges for office accommodation are based on the floor area allocated to services. Other centrally provided services are recharged on the basis of actual usage, e.g. IT Services, or by direct charges to customers, e.g. printing.

Service level agreements defining the agreed quantity, cost and types of service to be provided for individual managers are also used in relation to the limited number of internal trading organisations operated by the Council. Contractual agreements have been established by a number of Directorates of the Authority to provide services to, amongst others, further education colleges, Care South, Dorset Police, Dorset & Wiltshire Fire and Rescue Authority, Dorset Waste Partnership and Tricuro.

20 PENSIONS

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.

21 PROVISIONS

In accordance with IAS 37, the County Council maintains provisions to meet liabilities arising from past events, where it is deemed that there will be a future obligation, but the timing and precise amount are uncertain. The adequacy of the County Council's provisions is reviewed annually. Provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.

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).

22 REDEMPTION OF DEBT

The County 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 in the Comprehensive Income & Expenditure Statement in each financial year as a Minimum Revenue Provision (MRP). Details are shown in the notes to the Financial Statements.

23 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.

24 INVENTORIES

In accordance with IAS 2, stocks and stores held at the year-end are valued at the lower of cost and net realisable value. Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

25 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. The 2017 valuation report has been produced with valuations for land and property as at 1st April 2016.

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 main assets will be classified as follows (RICS Valuation – Professional Standards UK 2014 – UK Appendix 5: 2.1):

Property, plant and equipment (PPE):
These assets form the majority of the County 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). The County Council holds no investment assets which fall to be valued in the 2017 valuation report.
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 County 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 to be used only where the asset is occupied by the authority and which provides a service potential where an active market exists. 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.

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 2017 valuation report is prepared.

Comparable evidence, 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 first quarter 2016 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 2017 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 2017 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 County 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

At the end of April 2016 the Valuer undertook an impairment or material economic change review 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.

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 County 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. More details of the Council's agreed use for capital receipts can be found in the January 2017 Cabinet report which is available at dorsetforyou.com.

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 (ie 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 revalues a proportion of the Council's assets each year. A policy for assessing these assets for componentisation was developed with the Valuations & Estates Team in 2010/11. All assets that are above the materiality threshold £1m 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

DCC 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.

26 DONATED ASSETS

Donated assets, transferred to the Authority 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 Authority 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 noncurrent assets.

27 VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT is recoverable from them.

28 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."

DCC 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.

29 INVESTMENT PROPERTY

Investment property is defined by IAS 40 as property (land or a building, or part of a building, or both) held to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes, or
(b) sale in the ordinary course of operations.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

30 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, note 5 provides information about schools which achieved/plan to achieve Academy status in 2016/17 and 2017/18.

31 EMPLOYEE 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 IAS 19.

32 DCC GROUP – BASIS OF CONSOLIDATION

DCC Group Accounts have been produced using the Equity Method of consolidation. The DCC Group position is shown either in separate, or alongside the Authority only single-entity Financial Statements. Disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

33 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DCC GROUP ACCOUNTS

Accounting Policies of entities for which financial statements have been consolidated into the DCC Group Accounts are treated as below:
(a) the Accounting Policies of Tricuro Support Ltd joint venture are aligned where applicable with those of Dorset County Council.
(b) Consolidation of the South West Audit Partnership (SWAP) has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by SWAP.
(c) Consolidation of the TRICS Consortium Ltd has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by TRICS.

2015/16 Re-stated Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	2016/17 Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000
75,549	Adult Care Service User Related	106,835	34,951	765	71,119
15,071	Adult Care	16,457	4,810	-	11,647
33,675	Commissioning and Performance	48,034	8,150	4,026	35,858
9,359	Early Help and Communities	12,468	2,727	400	9,341
(8,219)	Director's Office	1,126	60	1	1,065
125,435	**Adult & Community Services**	**184,920**	**50,698**	**5,192**	**129,030**
317	Chief Executives Office	357	-	-	357
402	Partnerships	367	81	-	286
367	Communications	260	-	-	260
538	Policy and Research	621	96	-	525
513	Commercial Services	372	-	-	372
576	Governance and Assurance	635	2	-	633
312	Assistant Chief Executive	117	-	-	117
2,062	Legal and Democratic Services	2,394	257	-	2,137
2,340	Financial Services	4,188	2,049	-	2,139
1,737	Human Resources	2,853	1,339	-	1,514
21,211	Cabinet	4,690	403	137	4,150
30,375	**Chief Executive's Dept & Cabinet**	**16,854**	**4,227**	**137**	**12,490**
34,574	Care & Protection	39,427	1,144	381	37,902
12,673	Design & Development	14,864	2,814	1,753	10,297
15,497	Partnerships and Performance	68,437	2,223	41,174	25,040
2,143	Directors Office	3,420	778	1,643	999
20,902	Dedicated Support Grant (DSG) Services	184,198	11,893	155,446	16,859
85,789	**Children's Services**	**310,346**	**18,852**	**200,397**	**91,097**
2,522	Economy, Planing & Transport	5,707	3,303	191	2,213
17,538	Dorset Travel	17,959	725	829	16,405
553	Business Support Unit	667	-	-	667
3,228	Coast & Countryside	6,020	2,115	817	3,088
3,111	Estates & Assets	4,176	4,586	-	(410)
(38)	Buildings & Construction	(56)	35	-	(91)
(90)	Pooled Repairs and Maintenance (R&M)	(60)	-	-	(60)
2,195	Network Management	4,614	2,598	-	2,016
2,530	Network Development	2,783	1,331	12	1,440
19,230	Network Operations	19,094	1,152	-	17,942
(133)	Fleet Services	107	229	-	(122)
252	Emergency Planning	248	34	-	214
747	Director's Office	748	-	-	748
1,796	Streetlighting Private Finance Initiative (PFI)	4,595	327	2,546	1,722
11,180	Information Communication Technology (ICT)	10,193	1,168	14	9,011
64,621	**Environment & Economy**	**76,795**	**17,603**	**4,409**	**54,783**
25,833	Dorset Waste Partnership	39,211	16,451	-	22,760
39	Regional Improvement Efficiency Partnership (RIEP)	248	-	-	248
(546)	Public Health	29,698	14,191	15,326	181
25,326	**Partnerships**	**69,157**	**30,642**	**15,326**	**23,189**
2,121	**Centrally Managed Costs**	**2,353**	**1,931**	**-**	**422**
333,667	**Deficit on Provision of Services**	**660,425**	**123,953**	**225,461**	**311,011**
	Other Operating Income & Expenditure				
(341)	Net loss/(gain) on disposal of non-current assets	(1,373)	-	-	**(1,373)**
9,580	Net loss on disposal of Academies	4,055	-	-	**4,055**
658	Levies and Precepts	774	-	112	**662**
(529)	(Write-back)/impairment re Icelandic Banks	-	-	-	**-**
	Financing & Investment Income & Expenditure				
7,564	Interest Payable	7,482	-	-	**7,482**
(398)	Interest and Investment Income	-	78	-	**(78)**
21,004	Pensions Interest Cost & Expected Return on Assets	22,145	-	-	**22,145**
371,205	**Net Operating Expenditure**	**693,508**	**124,031**	**225,573**	**343,904**
	Taxation & Non-Specific Grant Income				
(34,338)	Revenue Support Grant				**(19,446)**
(9,489)	Non-Domestic Rates				**(10,834)**

(25,740)	Non-Domestic Rates top-up receipts from Central Government	**(25,955)**
(198,171)	Council Tax	**(209,275)**
(7,266)	Other Central Grants	**(10,249)**
(62,543)	Capital Grants	**(36,780)**
(337,547)	**Total Finance**	**(312,539)**
33,658	**Deficit for the Year**	**31,365**
(13,637)	(Surplus) on the revaluation of Property, Plant & Equipment	**(12,989)**
(66,069)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities	**111,185**
(46,048)	**Net Comprehensive (Income)/Expenditure**	**129,561**

This statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. The layout is different from the previous annual accounts, which was based on the CIPFA Service Reporting Code of Practice (SERCOP), and the previous year comparative column is therefore designated as being re-stated.

2015/16 Re-stated		2016/17			
Net Spending £'000	**Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations**	**Gross Spending £'000**	**Income £'000**	**Specific Grants £'000**	**Net Spending £'000**
75,549	Adult Care Service User Related	106,835	34,951	765	71,119
15,071	Adult Care	16,457	4,810	-	11,647
33,675	Commissioning and Performance	48,034	8,150	4,026	35,858
9,359	Early Help and Communities	12,468	2,727	400	9,341
(8,219)	Director's Office	1,126	60	1	1,065
125,435	**Adult & Community Services**	**184,920**	**50,698**	**5,192**	**129,030**
317	Chief Executives Office	357	-	-	357
402	Partnerships	367	81	-	286
367	Communications	260	-	-	260
538	Policy and Research	621	96	-	525
513	Commercial Services	372	-	-	372
576	Governance and Assurance	635	2	-	633
312	Assistant Chief Executive	117	-	-	117
2,062	Legal and Democratic Services	2,394	257	-	2,137
2,340	Financial Services	4,188	2,049	-	2,139
1,737	Human Resources	2,853	1,339	-	1,514
21,211	Cabinet	4,690	403	137	4,150
30,375	**Chief Executive's Dept & Cabinet**	**16,854**	**4,227**	**137**	**12,490**
34,574	Care & Protection	39,427	1,144	381	37,902
12,673	Design & Development	14,864	2,814	1,753	10,297
15,497	Partnerships and Performance	68,437	2,223	41,174	25,040
2,143	Directors Office	3,420	778	1,643	999
20,902	Dedicated Support Grant (DSG) Services	184,198	11,893	155,446	16,859
85,789	**Children's Services**	**310,346**	**18,852**	**200,397**	**91,097**
2,522	Economy, Planing & Transport	5,707	3,303	191	2,213
17,538	Dorset Travel	17,959	725	829	16,405
553	Business Support Unit	667	-	-	667
3,228	Coast & Countryside	6,020	2,115	817	3,088
3,111	Estates & Assets	4,176	4,586	-	(410)
(38)	Buildings & Construction	56	35	-	(91)
(90)	Pooled Repairs and Maintenance (R&M)	60	-	-	(60)
2,195	Network Management	4,614	2,598	-	2,016
2,530	Network Development	2,783	1,331	12	1,440
19,230	Network Operations	19,094	1,152	-	17,942
(133)	Fleet Services	107	229	-	(122)
252	Emergency Planning	248	34	-	214
747	Director's Office	748	-	-	748
1,796	Streetlighting Private Finance Initiative (PFI)	4,595	327	2,546	1,722
11,180	Information Communication Technology (ICT)	10,193	1,168	14	9,011
64,621	**Environment & Economy**	**76,795**	**17,603**	**4,409**	**54,783**
25,833	Dorset Waste Partnership	39,211	16,451	-	22,760
39	Regional Improvement Efficiency Partnership (RIEP)	248	-	-	248
(546)	Public Health	29,698	14,191	15,326	181
25,326	**Partnerships (DCC Leads)**	**69,157**	**30,642**	**15,326**	**23,189**
2,121	**Centrally Managed Costs**	**2,353**	**1,931**	**-**	**422**
333,667	**Deficit on Provision of Services**	**660,425**	**123,953**	**225,461**	**311,011**
(3)	Share of (profit) or loss on the provision of services by joint venture	**(484)**			**(484)**
2	Tax expenses of joint venture	94			**94**
333,666	**Group (Surplus) / Deficit**	**660,035**	**123,953**	**225,461**	**310,621**
	Other Operating Income & Expenditure				
(341)	Net loss/(gain) on disposal of non-current assets	(1,373)	-	-	**(1,373)**
9,580	Net loss on disposal of Academies	4,055	-	-	**4,055**
658	Levies and Precepts	774	-	112	**662**
(529)	(Write-back)/impairment re Icelandic Banks	-	-	-	**-**
	Financing & Investment Income & Expenditure				
7,564	Interest Payable	7,482	-	-	**7,482**
(398)	Interest and Investment Income	-	78	-	**(78)**
21,004	Pensions Interest Cost & Expected Return on Assets	22,145	-	-	**22,145**

371,204	**Net Operating Expenditure**	693,118	124,031	225,573	343,514
	Taxation & Non-Specific Grant Income				
(34,338)	Revenue Support Grant				(19,446)
(9,489)	Non-Domestic Rates				(10,834)
(25,740)	Non-Domestic Rates top-up receipts from Central Government				(25,955)
(198,171)	Council Tax				(209,275)
(7,266)	Other Central Grants				(10,249)
(62,543)	Capital Grants				(36,780)
(337,547)	**Total Finance**				(312,539)
33,657	**Deficit for the Year**				30,975
(13,637)	(Surplus) on the revaluation of Property, Plant & Equipment				(12,989)
(66,069)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				111,185
(46,049)	**Net Comprehensive (Income)/Expenditure**				129,171

31 March 2016						31 March 2017			
Re-stated		Re-stated							
DCC Single Entity		DCC Group				**DCC Single Entity**		**DCC Group**	
£'000	£'000	£'000	£'000		*Note*	**£'000**	**£'000**	**£'000**	**£'000**
2,447		2,447		**Intangible Assets**		**8,185**		**8,185**	
				Property, Plant & Equipment					
				Operational Assets					
379,417		379,417		Land and Buildings		**391,776**		**391,776**	
26,402		26,402		Vehicles, Plant, Furniture & Equipment		**31,320**		**31,320**	
342,626		342,626		Infrastructure Assets (e.g. highways)		**376,101**		**376,101**	
10,031		10,031		Community Assets (e.g. country parks)		**10,049**		**10,049**	
				Non-operational Assets					
47,753		47,753		Assets under construction		**22,249**		**22,249**	
10,650		10,650		Surplus Assets		**9,741**		**9,741**	
	819,326		819,326		*21*		**849,421**		**849,421**
			39	Investment in Joint Venture					**429**
	38		0	**Long term Investments**	*31*		**38**		**0**
	4,591		4,591	**Long term Debtors**	*32*		**4,459**		**4,459**
	823,955		823,956	**Long term Assets**			**853,918**		**854,309**
				Current Assets					
950		950		Inventories	*33*	**1,050**		**1,050**	
65,521		65,521		Debtors and Payments in Advance	*34*	**65,615**		**65,615**	
5,320		5,320		Assets held for sale	*21, 36*	**5,249**		**5,249**	
-		-		Cash & cash equivalents	*37*	**7,978**		**7,978**	
71,791		71,791				**79,892**		**79,892**	
				Current Liabilities					
820		820		Short Term Borrowing	*38*	**31,419**		**31,419**	
60,707		60,707		Creditors and Receipts in Advance	*39*	**66,425**		**66,425**	
3,275		3,275		Provisions	*40*	**2,642**		**2,642**	
4,424		4,424		Bank Overdraft	*37*	**-**		**-**	
69,226		69,226				**100,486**		**100,486**	
	2,565		2,565	**Net Current Assets**			**(20,594)**		**(20,594)**
	826,520		826,521	**Total Assets less Current Liabilities**			**833,324**		**833,715**
				Long Term Liabilities					
(183,521)		(183,521)		Long Term Borrowing	*38*	**(181,863)**		**(181,863)**	
(32,612)		(32,612)		Long Term PFI Liability	*11*	**(30,225)**		**(30,225)**	
(74)		(74)		Other Long-Term Liabilities	*42*	**(114)**		**(114)**	
(6,321)		(6,321)		Obligations Under Finance Leases	*12*	**(7,349)**		**(7,349)**	
(598,828)		(598,828)		Pensions Asset / (Liability)	*23*	**(738,170)**		**(738,170)**	
	(821,356)		(821,356)	**Total Long Term Liabilities**			**(957,721)**		**(957,721)**
	5,164		5,165	**Net Assets/(Liabilities)**			**(124,397)**		**(124,006)**
				Financed by :-					
				Usable Reserves					
27,857		27,858		General Fund Balance	*52, 53*	**16,751**		**17,142**	
56,085		56,085		Earmarked Reserves	*51*	**56,675**		**56,675**	
(26)		(26)		Usable Capital Receipts Reserve	*50*	**19**		**19**	
17,406		17,406		Capital Grants Unapplied Account	*47*	**18,155**		**18,155**	
	101,322		101,323	**Total Usable Reserves**			**91,600**		**91,991**
				Unusable Reserves					
5,825		5,825		Collection Fund Adjustment Accounts	*45*	**6,332**		**6,332**	
107,134		107,134		Revaluation Reserve	*48*	**113,658**		**113,658**	
(598,828)		(598,828)		Pensions Reserve	*23*	**(738,170)**		**(738,170)**	
391,266		391,266		Capital Adjustment Account	*44*	**404,669**		**404,669**	
(3,435)		(3,435)		Accumulated Absences Account	*46*	**(4,437)**		**(4,437)**	
330		330		Deferred Capital Receipts Reserve		**330**		**330**	
1,550		1,550		Financial Instrument Adj Account	*49*	**1,621**		**1,621**	
	(96,158)		(96,158)	**Total Unusable Reserves**			**(215,997)**		**(215,997)**
	5,164		5,165	**Total Reserves**			**(124,397)**		**(124,006)**

The Balance Sheet is a record of the financial position of the County Council at 31 March 2017. Figures relating to the Dorset County Pension Fund are excluded. 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.

The Balance Sheet has been re-stated to show a single figure for either ‘Cash & cash equivalents’ or ‘Bank Overdraft’, depending on the net cash position for the financial year.

	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	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	31,901	62,581	2,968	24,515	121,965	(162,848)	(40,883)	-	(40,883)
Movement in reserves during 2015/16									
Total Comprehensive Income & Expenditure	(33,658)	-	-	-	(33,658)	79,706	46,048	1	46,049
Net Increase/(Decrease) before Transfers	(33,658)	-	-	-	(33,658)	79,706	46,048	1	46,049
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	88,789	-	(2,113)	-	86,676	(86,676)	-	-	-
Transfers to/from specific reserves									
Total transfers	(59,175)	(6,496)	(881)	(7,109)	(73,661)	73,661	-	-	-
Balance as at 31 March 2016	27,857	56,085	(26)	17,406	101,322	(96,158)	5,164	1	5,165

	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	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£000	£000	£000	£000	£000	£000	£000	£'000	£'000
Note	52, 53	51	50	47					
Balance as at 31 March 2016	27,857	56,085	(26)	17,406	101,322	(96,158)	5,164	1	5,165
Total Comprehensive Income & Expenditure	(31,365)	-	-	-	(31,365)	(98,196)	(129,561)	390	(129,171)
Net Increase/(Decrease) before Transfers	(31,365)	-	-	-	(31,365)	(98,196)	(129,561)	390	(129,171)
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	59,351	-	45	-	59,396	(59,396)	-	-	-
Transfers to/from specific reserves							-		
Total transfers	(39,092)	590	-	749	(37,753)	37,753	-	-	-
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)

Revenue & Capital Reserves Analysis as at 31 March 2017									
Revenue	14,125	56,675	-	-	70,800	(734,326)	(663,526)	391	(663,135)
Capital	2,626	-	19	18,155	20,800	518,329	539,129	-	539,129
	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)

CASH FLOW STATEMENT (SINGLE ENTITY AND DCC GROUP)

2015/16						2016/17			
DCC Single Entity		DCC Group				**DCC Single Entity**		**DCC Group**	
£'000	£'000	£'000	£'000		*Note*	**£'000**	**£'000**	**£'000**	**£'000**
				Operating Activities					
				Expenditure					
(268,996)		(268,996)		Cash Paid to or on behalf of employees		**(252,702)**		**(252,702)**	
(318,188)		(318,188)		Other operating costs		**(346,996)**		**(346,996)**	
(7,564)		(7,564)		Interest paid		**(7,482)**		**(7,482)**	
		(2)		Tax paid				**(94)**	
	(594,748)		(594,750)				**(607,180)**		**(607,274)**
				Income					
198,171		198,171		Precept - Council Tax		**209,275**		**209,275**	
34,338		34,338		Revenue Support Grant		**19,446**		**19,446**	
35,229		35,229		National Non Domestic Rates		**36,789**		**36,789**	
240,335		240,335		Other Government Grants	*13*	**235,822**		**235,822**	
98,813		98,813		Cash Received for goods and services		**122,643**		**122,643**	
398		398		Interest received		**78**		**78**	
	607,284		607,284				**624,053**		**624,053**
	12,536		12,534	**Net cash inflow / (outflow) from operating activities**			**16,873**		**16,779**
				Investing Activities					
				Expenditure					
(87,958)		(87,958)		Purchase of fixed assets/capital repayments	*25*	**(69,022)**		**(69,022)**	
				Transfers/PFI capital repayments					
				Income					
(2,994)		(2,994)		Sale of fixed assets/(application of capital receipts)		**45**		**45**	
62,695		62,695		Capital grants and contributions received		**36,885**		**36,885**	
	(28,257)		(28,257)	**Net cash inflow / (outflow) from investing activities**			**(32,092)**		**(32,092)**
	(15,721)		(15,723)	**Net cash inflow / (outflow) before financing**			**(15,219)**		**(15,313)**
				Management of Liquid Resources					
45,000		45,000		Short term lending repaid		**-**		**-**	
				Financing					
-		-		New Short term borrowing		**35,000**		**35,000**	
(29,963)		(29,963)		Short term borrowing repaid		**(6,060)**		**(6,060)**	
(2,387)		(2,387)		Movement in PFI liabilities		**(2,388)**		**(2,388)**	
(696)		(696)		Movement in finance lease liabilities		**1,029**		**1,029**	
49		49		Movement in Long Term Investments		**40**		**40**	
(820)		(820)		Movement in Long Term Borrowing		**-**		**-**	
	11,183		11,183	**Net cash inflow / (outflow) from financing activities**			**27,621**		**27,621**
	(4,538)		(4,540)	**Net increase / (decrease) in cash & cash equivalents**			**12,402**		**12,308**
	114		114	**Cash & cash equivalents at the beginning of the period**			**(4,424)**		**(4,426)**
	(4,424)		(4,426)	**Cash & cash equivalents at the end of the period**			**7,978**		**7,882**

2015/16 Net Expenditure Chargeable to the General Fund Balance	2015/16 Adjustments between Funding and Accounting Basis	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement		2016/17 Net Expenditure Chargeable to the General Fund Balance	2016/17 Adjustments between Funding and Accounting Basis	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement	Original Estimate	Final Estimate	Variance ( ) = over
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
122,267	3,168	125,435	Adult & Community Services	124,661	4,369	129,030	122,248	127,062	(1,968)
12,120	18,255	30,375	Chief Executive's Dept & Cabinet	11,233	1,257	12,490	11,812	12,910	420
64,825	20,964	85,789	Children's Services	71,125	19,972	91,097	60,601	84,939	(6,158)
37,605	27,016	64,621	Environment & Economy	32,144	22,639	54,783	55,041	55,610	827
18,719	6,607	25,326	Partnerships (DCC Leads)	18,520	4,669	23,189	24,337	24,799	1,610
3,552	(1,431)	2,121	Centrally Managed Costs	541	(119)	422	1,899	1,024	602
259,088	74,579	333,667	**Deficit on Provision of Services**	258,224	52,787	311,011	275,938	306,344	(4,667)
			Other Operating Income & Expenditure						
64	(405)	(341)	Net loss/(gain) on disposal of non-current assets	139	(1,512)	(1,373)	-	(1,374)	(1)
	9,580	9,580	Net loss on disposal of Academies	-	4,055	4,055	-	4,055	-
658		658	Levies and Precepts	662		662	677	677	15
(529)		(529)	(Write-back)/impairment re Icelandic Banks	-		-	-	-	-
			Financing & Investment Income & Expenditure						
7,564		7,564	Interest Payable	7,482		7,482	7,545	7,545	63
(378)	(20)	(398)	Interest and Investment Income	(68)	(10)	(78)	(250)	(250)	(172)
(1,141)	22,145	21,004	Pensions Interest Cost & Expected Return on Assets	-	22,145	22,145	-	22,145	-
16,965	(16,965)		CERA/MRP	19,103	(19,103)				
(3,096)	3,096		Movements to/from reserves	2,306	(2,306)	-	-	-	
			Taxation & Non-Specific Grant Income						
(34,338)		(34,338)	Revenue Support Grant	(19,446)		(19,446)	(19,446)	(19,446)	-
(10,457)	968	(9,489)	Non-Domestic Rates	(10,886)	52	(10,834)	(10,742)	(10,690)	144
(25,740)		(25,740)	Non-Domestic Rates top-up receipts from Central Government	(25,955)		(25,955)	(25,955)	(25,955)	-
(196,992)	(1,179)	(198,171)	Council Tax	(208,717)	(558)	(209,275)	(208,717)	(209,275)	-
(7,266)		(7,266)	Other Central Grants	(10,249)		(10,249)	(10,267)	(10,267)	(18)
(358)	(62,185)	(62,543)	Capital Grants	(1,489)	(35,291)	(36,780)	-	(36,776)	4
(255,044)	(44,965)	(300,009)	**Total Other Income and Expenditure**	(247,118)	(32,528)	(279,646)	(267,155)	(279,611)	35
4,044	29,614	33,658	**Deficit for the Year**	11,106	20,259	31,365	8,783	26,733	(4,632)
(31,901)			Opening General Fund Balance as at 31 March 2016	(27,857)					
4,044			Less Deficit on General Fund Balance	11,106					
(27,857)			**Closing General Fund Balance as at 31 March 2017**	(16,751)					

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

2015/16 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17 Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
3,168	Adult & Community Services	3,508	957	(96)	4,369
18,255	Chief Executive's Dept & Cabinet	722	545	(10)	1,257
20,964	Children's Services	16,135	2,750	1,087	19,972
					-
27,016	Environment & Economy	21,240	1,350	49	22,639
6,607	Partnerships (DCC Leads)	4,238	411	20	4,669
(1,431)	Centrally Managed Costs	-	-	(119)	(119)
74,579	**Deficit on Provision of Services**	45,843	6,013	931	52,787
(44,965)	**Other Income and Expenditure from the Funding Analysis**	(51,861)	22,145	(2,812)	(32,528)
29,614	**Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit**	(6,018)	28,158	(1,881)	20,259

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

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

Appendix C of the Code 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. Standards that fall into this category are:

Amendment to the reporting of pension fund scheme transaction costs

Amendment to the reporting of investment concentration

All of these standards will be incorporated into the Code from 2017/18 and will be complied with by the Authority. However, none have material impact for the Council and none warrant specific disclosure in these accounts.

2. Related party transactions

Central Government

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

Specific Grants are set out in the Comprehensive Income and Expenditure Statement and Note 13.

Other Local Authorities and Bodies levying demands on the council tax

Levies paid to other bodies during 2016/17 included the following material transactions: -

2015/16		**2016/17**
£'000		**£'000**
567	Environment Agency	**571**
203	Southern Sea Fisheries Committee	**203**

The County 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.

Transactions with Bournemouth and Poole Borough Councils, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 24.

On 1st April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Head of Legal & Democratic Services is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Chief Financial Officer was Treasurer to the Dorset Police & Crime Commissioner. The County Council supplied services to these authorities as detailed in the following table.

2015/16		**2016/17**
£'000		**£'000**
170	Dorset Police & Crime Commissioner	**128**
166	Dorset Fire Authority	**-**
-	Dorset & Wiltshire Fire and Rescue Authority	**85**

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

2015/16		**2016/17**
£'000		**£'000**
125	Dorset Police & Crime Comm (Capital Financing)	**125**
63	Dorset Police & Crime Commissioner	**66**
101	Dorset Fire Authority	**-**
-	Dorset & Wiltshire Fire and Rescue Authority	**99**

Elected Members, Staff & close families

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

The County Council's elections were held on 4th May 2017. The election resulted in the Council remaining in Conservative control. Details of the election results can be found on the dorsetforyou website.

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

The County Council's activities expose it to a variety of financial risks, the key risks are:

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;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

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

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £28.1m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

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 2017 was £22.2m (2016 £21.2m).

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market risk

Interest rate 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:

borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;

borrowings at fixed rates – the fair value of the borrowing will fall;

investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;

investments at fixed rates – the fair value of the assets will fall.

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 fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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.

4. Events after the Balance Sheet date

There were no material events after the balance sheet date.

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 re-stating the opening balance sheet for the current year. Transfers are not reflected in the Comprehensive Income & 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 re-state comparative year figures.

Academies

During the year ended 31 March 2017, the following Schools were established as Academies under the Academies Act 2010. The amounts in the table below are included in the Comprehensive Income & Expenditure Statement on account of each school.

	2015/16				**2016/17**		
Schools Delegated Budgets	Schools - LEA Expenditure	Dedicated Schools Grant	**Conversion Date**		**Schools Delegated Budgets**	**Schools - LEA Expenditure**	**Dedicated Schools Grant**
£'000	£'000	£'000			**£'000**	**£'000**	**£'000**
1,456	45	1,401	01/04/16	Bridport Primary	-	-	-
799	46	764	01/04/16	St Mary's CE Primary, Bridport	-	-	-
417	105	383	01/04/16	Burton Bradstock CE VC School	-	-	-
311	-	307	01/04/16	Loders CE VC Primary	-	-	-
466	-	467	01/02/17	Trent Youngs Endowed CEVA Primary	508	(17)	415
3,449	196	3,322			**508**	**(17)**	**415**

The funding changes in 2013/14 have simplified the recoupment from the Dedicated Schools Grant in respect of academies. The only recoupment is now for the formula funded element of Dedicated Schools Grant, which now includes the de-delegated budgets (budgets delegated to schools which maintained schools have decided to transfer back to central DSG funding). The Department For Education also makes reductions to Local Authority funding via the Education Services Grant to provide grant to academies to fund their central services (previously provided by the Authority).

The total number of schools converted to academies now comes to 59

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 2017.

School	Actual/Advised Date (if known)	School Balance at 31 March 2017 Surplus/(deficit) £
Broadmayne First School		3,843
Wimborne St Giles Church of England First School and		24,606
Sherborne Primary School	01/06/2017	52,448
Sherborne Abbey Church of England Voluntary	01/06/2017	(16,481)
St Mary's Church of England Voluntary Controlled	01/06/2017	36,242
Buckland Newton Church of England School	01/06/2017	76,126
St Andrew's Church of England Primary School,	01/06/2017	6,943
Thornford Church of England Voluntary Aided Primary	01/06/2017	5,170
St John's Church of England Voluntary Aided School,	01/07/2017	106,675
All Saints' Church of England School, Weymouth	01/01/2018	(225,227)
Beechcroft St Pauls CofE VA Primary School	01/07/2017	112,646
St Andrew's Church of England Voluntary Aided School,	01/07/2017	69,553

When a School achieves Academy status, it legally closes 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. Further information can be found in note 6 on Group Accounts.

6. Group accounts and disclosure of interests in other entities

Dorset Development Partnership

On 26th April 2011, the Authority entered into an agreement with BV Strategies Facilitating Ltd, to establish a Limited Liability Partnership, PSP Dorset LLP, trading as Dorset Development Partnership (the Partnership). BV Strategies Facilitating Ltd changed its name to PSP Facilitating Ltd on 24 February 2012.

The Partnership was established to build value, over and above the latent market value, for land and/or buildings identified as surplus to the County Council's requirements. Not all surplus assets have potential for increased value, but those that do are subject to the Partnership's process of de-risking and being made more saleable.

The Partnership has an accounting date of 30 April.

At 31 March 2017, the following properties were being worked on by the Partnership:

Blandford Depot, Wimborne Road, Blandford

Damers Road Store, Damers Road, Dorchester

Part of the Barracks Site, Dorchester

White Pit Farm buildings, Shillingstone

Sites off Flood Lane, Bridport

Properties completed during 2016/17:

Former residential premises for Adult Services, Alexandra Road, Weymouth. This property was disposed of by the Council.

During the year ended 31 March 2017, the partnership did not dispose of any other properties committed to it by the Authority, no other sales of assets are reflected in the accounts for Dorset County Council, and no further disclosure is required here.

Additional properties are being considered for transfer and will be committed to the partnership if value can be added.

Surplus properties are not transferred legally or contractually to the partnership, nor to any third party until the final sale is achieved. At 31 March 2017, the properties being worked on by the Partnership were still assets of Dorset County Council and the non-deminimus assets are shown within the *assets held for sale* section of the Balance Sheet.

The partnership incurs the costs accrued in making the assets more saleable and these costs are financed jointly by PSP Facilitating Ltd and Dorset County Council. The partners share the profits from the sale of the assets, subject to a guaranteed minimum receipt for the Authority and a profit sharing formula.

The partnership is not considered relevant for consolidation into group accounts for the Authority on the grounds of materiality and also that the turnover of the business is materially reported through the capital receipts achieved by the County Council in its single-entity accounts.

As at 30 April 2017, the draft accounts for the partnership showed total assets less current liabilities of £346k (£401k as at 30 April 2016), materially all of this being work in progress.

South West Audit Partnership (SWAP)

Until 31 March 2013, SWAP was a joint committee established by its members to assist them in the provision of a shared internal audit, counter-fraud and governance-related service. It operated under S101 of the Local Government Act 1972 and was hosted by South Somerset District Council. The Members considered that the future operation of SWAP as a company would improve efficiency and SWAP's management, governance and accounting processes.

SWAP therefore established itself as a company limited by guarantee, a local authority controlled company, and started trading on 1 April 2013. There are twelve members, Dorset County Council being one of them. Given the Council's influence through it's membership, the company falls to be treated as a joint venture. Although its results are not material, SWAP is consolidated into the Group Accounts for Dorset County Council for the year ended 31 March 2017. The following disclosures are offered for the Company, prepared in accordance with Financial Reporting Standard (FRS) 102.

Summary Balance Sheet		**Draft**
	31/03/2016	**31/03/2017**
	£'000	**£'000**
Tangible assets	9	**16**
Current assets	946	**1,151**
Creditors due within 12 months	(179)	**(214)**
Deferred Income	(518)	**(706)**
Pension fund liability	(5,150)	**(7,874)**
Net liabilities	(4,892)	**(7,627)**
Financed by:		
Retained earnings	(5,071)	**(7,806)**
Other reserves	179	**179**
Total reserves	(4,892)	**(7,627)**

Summary Income & Expenditure	**31/03/2016**	**31/03/2017**
	£'000	**£'000**
Turnover	2,509	**2,603**
Admin expenses	(2,455)	**(2,616)**
Operating profit / (loss)	54	**(13)**
Interest receivable and similar income	2	**2**
Interest payable and similar charges	(441)	**(255)**
Loss on ordinary activities	(385)	**(266)**

Statement of Other Comprehensive Income	**31/03/2016**	**31/03/2017**
	£'000	**£'000**
Loss for the Financial Year	(385)	**(266)**
Actuarial gain/(loss) on pension scheme	4,310	**(2,469)**
Total comprehensive income (total recognised gains/(losses))	3,925	**(2,735)**

Turnover included above, from trading with Dorset County Council was £292k (£344k in 2015/16).

TRICS Consortium Ltd

TRICS Consortium Ltd was incorporated on 14th October 2014 by Dorset County Council and five other local authorities (East Sussex County Council, West Sussex County Council, Hampshire County Council, Surrey County Council and Kent County Council). Each of these members owns £37.5k of ordinary shares in the company. All shares are fully paid-up. Each authority appoints a Director to the company's Board of Directors.

Prior to incorporation, the TRICS consortium was operated as a joint committee with West Sussex County Council as the accountable body. Members of the unincorporated consortium contributed funding to the joint arrangement to pay for costs falling to West Sussex as the accountable body and also contributed their expertise and other resources at their own cost.

The decision to incorporate was taken after legal advice surrounding the rules for local authorities involved in trading and the potential for the TRICS arrangements to generate revenue for the members beyond what is currently allowed if operated purely by a local authority.

The Company employs four members of staff; the Managing Director, an Operations Manager and two Operations Officers. The Managing Director reports to the Board of Directors at monthly Board Meetings and takes strategic direction from the Board.

The company's main purpose is to operate an online Trip Rate Database for use of the Transportation Industry for the production of Transport Assessments and Travel Plans during the Planning Application process and for the monitoring of active Travel Plans, usually under section 106 agreements. The company manages the database and commissions independent data collection companies to survey different land uses and developments so that the data can be input into the system.

The accounting date is 31 December. The results and performance, from the company's Financial Statements for the 15 month period to 31 December 2015, and for the year to 31 December 2016, are:

Summary Balance Sheet	**Period to 31/12/2015**	**Year to 31/12/2016**
	£'000	**£'000**
Intangible assets	378	**337**
Tangible assets	5	**5**
Current assets	577	**615**
Creditors due within 12 months	(336)	**(340)**
Net assets (liabilities)	624	**617**
Financed by:		
Ordinary share capital	225	**225**
Share premium	365	**365**
Retained profit	34	**27**
Total reserves	624	**617**

Summary Income & Expenditure	**Period to 31/12/2015**	**Year to 31/12/2016**
	£'000	**£'000**
Turnover	1,330	**1,288**
Cost of sales	(285)	**(332)**
Other operating expenses	(390)	**(336)**
Profit on ordinary activities	655	**620**
Tax on profit on ordinary activities	(132)	**(124)**
	523	**496**

Turnover included above, from trading with Dorset County Council for the year to 31 December 2016 was £3k (15 month period to 31 December 2015 £4k). Dorset County Council received a dividend of £84k during 2016/17 (2015/16 £81k).

There were not any material transactions between the TRICS year-end date of 31st December 2016 and the Dorset Council Council year-end date of 31st March 2017.

Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole, launched Tricuro. Tricuro is a group of two companies established under local authority trading company principles to take the transfer of the three authorities' supply-side Adult Social Services business, with staff transferring from each of the three authorities in order to provide care services.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2016-17 was £42m (the part-year to 31 March 2016 saw the group turnover £31m). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro for three years until 30 June 2018. The value of this contract was £1.17m for the period to 31 March 2017. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £870k for the period to 31 March 2017.

Dorset County Council treats Tricuro, SWAP and TRICS as joint ventures in line with the published accounting policies.

7. Prior period adjustments

There are no prior year adjustments to disclose for the 2016/17 Accounts.

8. Impairment/write-back re Icelandic Banks

Charges made in the Comprehensive Income & Expenditure Statement for impairment/(write back) of deposits held with Icelandic banks were as follows:

	Pre-2015/16	2015/16	2016/17
	£000	£000	£000
Impairment charge /(write-back)	6,857	(528)	-

Until final settlements are agreed, loans with Icelandic banks continue to be carried in the Authority's Balance Sheet, but are fully impaired. Dorset County Council carries deposits with Heritable Bank at a gross value of £13.1m, fully impaired. The return to date is 98% of the original claim. No payments were received during 2016/17, however It is still possible that the full 100% could be recovered.

9. 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. The impact for the DCC Group Accounts is not material, and is not included in the figures below.

	2016/17									2015/16
	Adult & Community Services	Chief Executive's Dept & Cabine	Children's Services	Environment & Economy	Partnerships (DCC Leads)	Centrally Managed Costs	Total	Final Budget Estimate	Variance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Charges/Trading	(284)	(4,457)	4,211	(2,998)	3,564	(2)	34	(3,089)	(3,123)	(6)
Authority (Democratic) Costs	-	859	-	-	-	-	859	874	15	798
Pay Related Costs	24,344	14,900	179,030	22,891	12,340	765	254,270	261,170	6,900	263,419
Premises Related Costs	1,217	224	11,965	5,967	1,367	1,728	22,468	25,219	2,751	22,935
Transport Related Costs	750	886	9,000	8,338	2,127	(24)	21,077	20,342	(735)	24,544
Supplies and Service	43,453	3,038	73,399	10,300	9,179	51	139,420	132,611	(6,809)	118,481
Transfer Payments	25,260	-	777	-	(11)	-	26,026	20,815	(5,211)	24,056
Third Party Payments	85,716	160	12,941	9,861	36,075	1	144,754	128,419	(16,335)	142,949
Net Schools Budget adjs	-	-	689	-	-	-	689	10,783	10,094	689
Cost Centre Balances	-	-	39	-	-	(391)	(352)	1,914	2,266	681
Government Grants	(5,192)	(138)	(200,398)	(4,409)	(15,326)	-	(225,463)	(238,875)	(13,412)	(232,889)
Reimbursements and Contributions	(25,296)	(2,133)	(12,703)	(3,973)	(26,621)	(1,850)	(72,576)	(59,891)	12,685	(61,072)
Fees and Charges	(25,402)	(2,091)	(6,147)	(13,633)	(4,022)	(80)	(51,375)	(44,574)	6,801	(46,397)
Corporate Income & Expenditure	(1)	(25)	(289)	-	-	-	(315)	(1,799)	(1,484)	(1,010)
Funding	-	-	-	-	-	-	-	-	-	(66)
Transfers to/(from) Reserves	-	-	(82)	(76)	(66)	224	-	930	930	-
Reported in Management Accounts	**124,565**	**11,223**	**72,432**	**32,268**	**18,606**	**422**	**259,516**	**254,849**	**(4,667)**	257,112
IAS 19 Pension Adj	957	545	2,667	1,274	345	-	5,788	5,788	-	4,766
Capital Charges	3,508	722	15,998	21,241	4,238	-	45,707	45,707	-	71,789
Deficit on Provision of Services	**129,030**	**12,490**	**91,097**	**54,783**	**23,189**	**422**	**311,011**	**306,344**	**(4,667)**	333,667
Recharges (SERCOP)	6,491	(2,982)	7,568	(8,968)	-	(2,109)	-	-		-
Deficit on Provision of Services	**135,521**	**9,508**	**98,665**	**45,815**	**23,189**	**(1,687)**	**311,011**	**306,344**	**(4,667)**	333,667

The table above, shows the deficit on provision 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.

10. Comparison of outturn with budget

The Comprehensive Income & Expenditure Statement and the movements on the General Fund are further analysed against budget in the table below.

2015/16 Net Spending £'000	Service Division	2016/17 Original Estimate £'000	Final Estimate £'000	Net Spending £'000	Variance ( ) = over £'000
125,435	Adult & Community Services	122,248	127,062	129,030	(1,968)
30,375	Chief Executive's Dept & Cabinet	11,812	12,910	12,490	420
85,789	Children's Services	60,601	84,939	91,097	(6,158)
64,621	Environment & Economy	55,041	55,610	54,783	827
25,326	Partnerships (DCC Leads)	24,337	24,799	23,189	1,610
2,121	Centrally Managed Costs	1,899	1,024	422	602
333,667	**Net Cost of Services**	275,938	306,344	311,011	(4,667)
(341)	Net (gain) / loss on disposal of non-current assets	-	(1,374)	(1,373)	(1)
9,580	Net (gain) / loss on disposal of Academies	-	4,055	4,055	-
658	Levies and Precepts	677	677	662	15
7,564	Interest payable	7,545	7,545	7,482	63
(398)	Interest on Balances	(250)	(250)	(78)	(172)
21,004	Pensions Interest Cost	-	22,145	22,145	-
(529)	Exceptional item; Impairment Icelandic Banks	-	-	-	-
371,205	**Net Operating Expenditure**	283,910	339,142	343,904	(4,762)
	Principal Sources of Finance :-				
(34,338)	Revenue Support Grant	(19,446)	(19,446)	(19,446)	-
(9,489)	National Non-Domestic Rates	(10,742)	(10,690)	(10,834)	144
(25,740)	Business rates Top-up Receipts From Central Govt	(25,955)	(25,955)	(25,955)	-
(198,171)	Precept (Council Tax)	(208,717)	(209,275)	(209,275)	-
(7,266)	Other Central Grants	(10,267)	(10,267)	(10,249)	(18)
(62,543)	Capital Grants	-	(36,776)	(36,780)	4
(337,547)	**Total Funding**	(275,127)	(312,409)	(312,539)	130
33,658	**NET GENERAL FUND (SURPLUS)/DEFICIT**	8,783	26,733	31,365	(4,632)
(49,006)	Depreciation and impairment of non-current assets	(29,208)	(40,152)	(40,152)	-
(22,908)	REFCUS	-	(5,692)	(5,692)	-
406	Net gain or (loss) on disposal of non-current assets	-	1,512	1,512	-
(9,581)	Net gain or (loss) on disposal of Academies	-	(4,055)	(4,055)	-
41	Soft Loan Interest Adjustment	-	71	71	-
(25,889)	Appropriations to/(from) Pensions Reserve	-	(28,157)	(28,157)	-
211	Collection Fund Adjustment Accounts	-	506	506	-
12,023	Statutory provision for repayment of debt	10,417	17,089	16,674	415
4,942	Capital charged to the General Fund Balance	6,076	2,429	2,429	-
(66)	Usable Capital Receipts for finance leases	-	-	-	-
1,038	Accumulated Absences Account Transfers	-	(1,002)	(1,002)	-
-	Flexible use of capital receipts	-	(1,485)	(1,485)	-
62,251	Transfer to Capital Grants Unapplied Reserve	-	36,776	36,776	-
(7,096)	Transfers to / (from) Specific Reserves	1,621	2,306	2,306	-
20	Interest on Developer Contributions		-	10	(10)
4,000	Re-classifications of reserves and balances		-	-	-
4,044	**(Increase)/Reduction in General Balances**	(2,311)	6,879	11,106	(4,227)
(31,901)	**General Balances b/fwd**			(27,857)	
(27,857)	**General Balances c/fwd**	(2,311)	6,879	(16,751)	(4,227)

The Council monitors expenditure as part of its comprehensive performance management framework. This provides for monthly reporting of projected outturn against budget for all cost centres and in addition detailed reporting of the most vulnerable and demand led budgets. This information is available to members and managers via the Council's intranet. The final out-turn figures are reported to the Audit and Governance Committee.

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 County Council.

In 2009, the County Council also 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 2015/16 £'000	Grants Rcvd 2015/16 £'000		**Payments 2016/17 £'000**	**Grants Rcvd 2016/17 £'000**
5,396	(2,546)	Street lighting (provider)	**5,441**	**(2,546)**
1,276	-	Street lighting (energy)	**1,202**	**-**
2,645	(1,559)	Colfox School (provider)	**2,674**	**(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	**64,963**	**16,849**
Interest charges	**4,850**	**8,975**
Service charges	**46,133**	**19,589**
	115,946	**45,413**

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

Assets	**Street lighting £'000**	**Colfox School £'000**
Opening balance	**44,169**	**22,560**
Additions/developments/lifecycle	**1,868**	**-**
Revaluations	**-**	**790**
Impairments	**-**	**-**
Depreciation	**(1,439)**	**(434)**
Closing balance	**44,598**	**22,916**

Liabilities	**Street lighting £'000**	**Colfox School £'000**
Opening balance	**(21,728)**	**(10,884)**
Additions/developments/lifecycle	**(1,868)**	**(234)**
Repayments	**3,813**	**676**
Closing balance	**(19,783)**	**(10,442)**

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	**1,933**	**5,065**	**12,785**	**19,783**
Colfox School	**485**	**2,204**	**7,753**	**10,442**
Total future payments	**2,418**	**7,269**	**20,538**	**30,225**

12. Leases

Dorset County 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 31/03/2015	**1,388**	**4,972**
Leases surrendered	**14**	**-**
Depreciation charge	**(521)**	**(224)**
Carrying amount as at 31/03/2016	**881**	**4,748**
Leases surrendered	**1,878**	**-**
Depreciation charge	**(822)**	**(224)**
Carrying amount as at 31/03/2017	**1,937**	**4,524**

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2015	(1,410)	(5,606)
Leases surrendered	(14)	-
Capital repayment	547	162
Carrying amount as at 31/03/2016	(877)	(5,444)
Leases surrendered	(1,878)	-
Capital repayment	680	170
Carrying amount as at 31/03/2017	(2,075)	(5,274)

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

	2015/16 £'000	2016/17 £'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	581	581	569	2,136	10,387
Finance leases - plant, equipment, vehicles	586	993	728	2,202	226
All finance leases	1,167	1,574	1,297	4,338	10,613
Operating leases - property	793	697	582	2,005	9,972
Operating leases - plant, equipment, vehicles	1,881	1,200	880	2,661	273
All operating leases	2,674	1,897	1,462	4,666	10,245
All leases	3,841	3,471	2,759	9,004	20,858

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

	MLP £'000	Net Present Value MLP £'000
Finance leases	16,248	9,437
Operating leases	12,560	7,275

Debtor representing interest in finance leases

	£'000
Closing balance 31/03/2015	66
Payments received	(66)
Closing balance 31/03/2016	-

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	-	-	-
Operating leases - property	4,600	14,938	11,991

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	3,215	7,240	-

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

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	-	-
Operating leases - property	31,530	21,087

13. Analysis of Government Grants

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

2015/16 £'000		**2016/17 £'000**
205,890	Education	**200,255**
6,972	Communities & Local Government	**10,721**
20,179	Health	**19,951**
1,308	Transport	**931**
619	Environment, Food & Rural Affairs	**576**
958	Culture, Media & Sport	**137**
-	Work & Pensions	**-**
315	Business, Innovation & Skills	**296**
97	Ministry of Defence	**91**
7	European Union	**-**
271	Home Office	**400**
485	Other	**341**
237,101		**233,699**

14. Deployment of Dedicated Schools Grant

Since 2006-07, the Council's expenditure on schools has been mainly funded by grant monies provided by the Department for Education (Department for Children, Schools and Families), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a delegated budget share for each school. Over and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2016/17 are as follows: -

Total 2015/16 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	**Total 2016/17 £'000**
176,297	Final DSG for 2016/17 after Academy recoupment	42,594	130,001	**172,595**
5,622	Brought forward from 2015/16	2,609		**2,609**
181,919	Final budgeted distribution in 2016/17	45,203	130,001	**175,204**
44,049	Less: Actual central expenditure	48,744		**48,744**
135,261	Less: Actual ISB deployed to schools		130,151	**130,151**
2,609	Carry forward to 2017/18	(3,541)	(150)	**(3,691)**

15. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Total Capital Expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is charged to the Income and Expenditure account 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.

2015/16 £'000		**2016/17 £'000**
22,908	Expenditure in Service Budgets funded from Capital Adjustment Account	**5,692**

16. Members' allowances

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

2015/16 £'000		**2016/17 £'000**
746	Members' Allowances	**744**

17. 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 to be reported. Missing bands have no staff in them for either year (eg £160,000 to £165,000).

2015/16 Non-schools	2015/16 LEA Schools	2015/16 VA/VC Schools	Group	**2016/17 Non-schools**	**2016/17 LEA Schools**	**2016/17 VA/VC Schools**
143	95	65	£50,000 to £55,000	**133**	**91**	**52**
70	35	25	£55,000 to £60,000	**73**	**41**	**46**
39	24	18	£60,000 to £65,000	**40**	**25**	**10**
17	21	21	£65,000 to £70,000	**19**	**22**	**18**
13	11	7	£70,000 to £75,000	**11**	**9**	**10**
5	8	8	£75,000 to £80,000	**1**	**10**	**7**
4	7	4	£80,000 to £85,000	**4**	**9**	**6**
4	5	-	£85,000 to £90,000	**1**	**6**	**-**
4	1	-	£90,000 to £95,000	**1**	**1**	**1**
6	2	-	£95,000 to £100,000	**7**	**1**	**-**
3	1	-	£100,000 to £105,000	**4**	**4**	**-**
2	1	1	£105,000 to £110,000	**4**	**1**	**-**
1	-	-	£110,000 to £115,000	**2**	**-**	**1**
2	1	1	£120,000 to £125,000	**-**	**-**	**1**
-	-	-	£125,000 to £130,000	**-**	**1**	**-**
-	1	-	£130,000 to £135,000	**-**	**-**	**-**
2	-	-	£135,000 to £140,000	**-**	**-**	**-**
1	1	-	£140,000 to £145,000	**2**	**-**	**-**
-	-	-	£150,000 to £155,000	**-**	**1**	**-**
1	-	-	£175,000 to £180,000	**-**	**-**	**-**
-	-	-	£180,000 to £185,000	**1**	**-**	**-**
317	214	150		**303**	**222**	**152**

Dorset County 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, by name. One such officer exists and is named accordingly. In line with the Authority's published pay policy, information on other senior posts is also disclosed.

2015/16 Total £'000	**Post Holder Information**	**Salary £'000**	**Allowances £'000**	**Pension £'000**	**Total £'000**
	Chief Executive				
180	Debbie Ward	**150**	**-**	**31**	**181**
	Assistant Chief Executive				
114	Postholder left 31 Aug 2016 *(post deleted wef 1 Sep 2016)*	**82**	**-**	**9**	**91**
	Director for Adult & Community Services				
142	Position currently vacant	**-**	**-**	**-**	**-**
	Director for Environment & Economy				
139	Current postholder	**119**	**-**	**25**	**144**
	Director for Children's Services				
139	Current postholder	**119**	**-**	**25**	**144**
	Director of Public Health*				
121	Current postholder	**88**	**-**	**21**	**109**
	Assistant Directors of Public Health*				
124	Current postholder	**99**	**-**	**14**	**113**
106	Current postholder	**97**	**-**	**14**	**111**
98	Current postholder	**84**	**-**	**12**	**96**
84	Current postholder	**72**	**-**	**10**	**82**
	Director of Dorset Waste Partnership**				
94	Previous Postholder	**-**	**-**	**-**	**-**
	Current postholder	**86**	**-**	**18**	**104**
1,341		**996**	**-**	**179**	**1,175**

* - these posts are jointly funded by Dorset County Council, Bournemouth Borough Council and the Borough of Poole as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

** - this post is jointly funded by Dorset County Council, Weymouth & Portland Borough Council, West Dorset District Council, Christchurch Borough Council, East Dorset District Council, Purbeck District Council and North Dorset District Council as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

18. Exit packages & 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. Missing bands have no staff in them (eg £180,000 to £200,000).

Value of exit package	Compulsory redundancies 2016/17	Other 2016/17	Total cost £000 2016/17
Non-Schools			
Up to £20,000	182	33	**568,545**
£20,000 to £40,000	13	12	**737,506**
£40,000 to £60,000	-	4	**185,272**
£60,000 to £80,000	1	3	**261,908**
£80,000 to £100,000	-	1	**85,114**
£100,000 to £120,000	-	1	**102,993**
£140,000 to £160,000	-	1	**140,567**
	196	55	**2,081,905**
Schools			
Up to £20,000	9	41	**314,376**
£20,000 to £40,000	4	2	**166,642**
£40,000 to £60,000	-	1	**41,251**
	13	44	**522,269**
Total	209	99	**2,604,174**

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 2016/17 accounts as the costs fall to the contingency budget in the year in which they are incurred.

Value of exit package	Redundancies	Total cost £000 2016/17
Up to £20,000	1	**3**
£60,000 to £80,000	2	**133**
£80,000 to £100,000	1	**81**
	4	**217**

19. Audit fees

Fees payable to KPMG LLP, for services carried out as the appointed Auditor were:

2015/16 £'000		**2016/17 £'000**
74	External Audit Services	**74**
5	Certification of grant/other claims	**4**
79		**78**

20. Interest

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

2015/16 £'000		**2016/17 £'000**
7,564	Interest payable on borrowings (as per I&E)	**7,482**
(398)	Interest receivable and investing income (as per I&E)	**(78)**
1,762	Interest payable on service concessions (PFI schemes)	**1,678**
282	Interest payable on finance leases (property)	**274**
38	Interest payable on finance leases (plant & equipment)	**314**
(4)	Interest receivable on finance leases (property)	**-**
9,244		**9,670**

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

21. 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. Intangible assets are computer software licences which have a useful economic life of more than one financial year. 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.

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2016	379,417	26,402	342,626	10,031	758,476	2,447	47,753	10,650	5,320	824,646
Additions	15,641	9,129	22,105	8	46,883	(226)	18,278	170	-	65,105
Disposals	(6,811)	(1,661)	-	-	(8,472)	-	-	(977)	(2,206)	(11,655)
Revaluations	11,995	-	-	-	11,995	-	-	928	66	12,989
Transfers	6,102	2,544	27,904	10	36,560	6,824	(43,782)	(1,547)	1,945	-
Depreciation	(10,527)	(6,552)	(16,534)	-	(33,613)	(860)	-	552	-	(33,921)
Depreciation on assets sold	1,060	1,458	-	-	2,518	-	-	977	104	3,599
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	(5,101)	-	-	-	(5,101)	-	-	(1,012)	20	(6,093)
Net book value as at 31 March 2017	**391,776**	**31,320**	**376,101**	**10,049**	**809,246**	**8,185**	**22,249**	**9,741**	**5,249**	**854,670**
Asset Financing										
Owned	364,337	29,383	331,504	10,049	735,273	8,185	22,249	9,741	5,249	780,697
Leased	4,523	1,937	-	-	6,460	-	-	-	-	6,460
PFI	22,916	-	44,597	-	67,513	-	-	-	-	67,513
	391,776	**31,320**	**376,101**	**10,049**	**809,246**	**8,185**	**22,249**	**9,741**	**5,249**	**854,670**

Comparative (adjusted) movements for 2015/16 were as follows:

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2015	371,597	26,070	347,876	10,024	755,567	2,622	28,772	17,402	3,677	808,040
Additions	14,758	7,039	6,574	7	28,378	481	36,186	3	-	65,048
Disposals	(12,730)	(1,318)	(82)	-	(14,130)	(1)	-	-	(4,749)	(18,880)
Revaluations	10,620	-	-	-	10,620	-	-	1,459	1,558	13,637
Transfers	10,513	879	4,882	-	16,274	534	(17,205)	(1,911)	2,308	-
Depreciation	(10,818)	(7,298)	(16,641)	-	(34,757)	(1,190)	-	172	-	(35,775)
Depreciation on assets sold	2,195	1,030	17	-	3,242	1	-	-	2,441	5,684
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	(6,718)	-	-	-	(6,718)	-	-	(6,475)	85	(13,108)
Net book value as at 31 March 2016	379,417	26,402	342,626	10,031	758,476	2,447	47,753	10,650	5,320	824,646
Asset Financing										
Owned	352,109	25,521	298,459	10,031	686,120	2,447	47,753	10,650	5,320	752,290
Leased	4,748	881	-	-	5,629	-	-	-	-	5,629
PFI	22,560	-	44,167	-	66,727	-	-	-	-	66,727
	379,417	26,402	342,626	10,031	758,476	2,447	47,753	10,650	5,320	824,646

22. 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. DCC used a rate of 4% until 2010/11 and 2.5% since to make its provision except for leases, where MRP is charged over the actual period of the lease.

2015/16 £'000		2016/17 £'000
5,741	Minimum Revenue Provision	10,003
4,379	PFI Schemes	4,490
710	Finance Leases	849
1,193	DWP Financed Assets	1,333

23. Retirement benefits

The County 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 County 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 Movements 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 are included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movements in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2015/16 £'000		2016/17 £'000
34,155	Service Cost	32,044
20,507	Net interest on the defined liability (asset)	21,597
497	Administration expenses	548
(25,889)	Movement on Pensions Reserve	(28,157)
	Actual amount charged against council tax for pensions in the year	
(2,796)	Unfunded Pension Payments	(988)
(26,474)	Employer's contributions payable	(25,044)

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 County 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: -

%Assets	2015/16 £'000		% Assets	2016/17 £'000
56%	381,599	Equities	56%	475,865
10%	65,951	Gilts	15%	125,915
4%	28,115	Cash	1%	9,413
13%	85,164	Other Bonds	12%	97,213
5%	32,292	Diversified Growth Fund	4%	36,773
11%	74,717	Property	9%	74,580
1%	8,876	Infrastructure	3%	28,334
0%	584	Hedge Fund	0%	135
	677,298	Estimated Assets in County Council Fund		848,228
	1,251,935	Present value of scheme liabilities		1,558,379
	24,191	Present value of unfunded liabilities		28,019
	1,276,126	Total value of liabilities		1,586,398
	(598,828)	Net Pensions Asset / (Liability)		(738,170)

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 2016, 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 2019.

The main assumptions used in their calculations are: -

2015/16 % p.a.	2015/16 Real		2016/17 % p.a.	2016/17 Real
3.3%	0.0%	RPI inflation	3.6%	0.0%
2.4%	-0.9%	CPI inflation	2.7%	-0.9%
3.9%	0.6%	Rate of increase in salaries	4.2%	0.6%
2.4%	-0.9%	Rate of increase in pensions	2.7%	-0.9%
3.7%	0.4%	Rate for discounting scheme liabilities	2.7%	-0.9%

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: -

2015/16			2016/17	
Male	Female	Years	**Male**	**Female**
22.90	25.30	Retiring today	**23.90**	**26.00**
25.20	27.70	Retiring in 20 years	**26.10**	**28.30**

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

2015/16 £'000		**2016/17 £'000**
1,343,241	Opening defined benefit obligation	**1,276,126**
36,162	Current service cost	**32,817**
43,394	Interest cost	**46,600**
(96,326)	Change in financial assumptions	**329,360**
-	Change in demographic assumptions	**17,556**
741	Experience loss/(gain) on defined benefit obligation	**(86,904)**
(7,247)	Liabilities assumed/(extinguished) on settlements	**(2,856)**
(53,786)	Estimated benefits paid (net of transfers in)	**(36,512)**
2,530	Past service costs including curtailments	**731**
10,213	Contributions by scheme participants	**10,468**
(2,796)	Unfunded pension payments	**(988)**
1,276,126	Closing defined benefit obligation	**1,586,398**

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

2015/16 £'000		**2016/17 £'000**
704,233	Opening fair value of scheme assets	**677,298**
22,887	Interest on assets	**25,003**
(29,516)	Return on assets less interest	**118,109**
-	Other actuarial gains (losses)	**30,718**
(497)	Administration expenses	**(548)**
29,270	Contributions by employer (including unfunded)	**26,032**
10,213	Contributions by scheme participants	**10,468**
(56,582)	Estimated benefits paid (net of transfers in and including unfunded)	**(37,500)**
(2,710)	Settlement prices received/(paid)	**(1,352)**
677,298	Fair value of scheme assets at end of period	**848,228**

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

2015/16 £'000		**2016/17 £'000**
(639,008)	Surplus / (Deficit) brought forward	**(598,828)**
(34,155)	Service Cost	**(32,044)**
29,270	Employer contributions	**26,032**
(497)	Administration expenses	**(548)**
(20,507)	Net interest on the defined liability (asset)	**(21,597)**
66,069	Actuarial Gain / (Loss)	**(111,185)**
(598,828)	Surplus / (Deficit) as at 31 March	**(738,170)**

The estimated employer contribution to the scheme for the period 1 April 2017 to 31 March 2018 is £23.6m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2017.

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

In 2016/17 the County Council paid £12.3m to the TPA (16.48% of pensionable pay). The figures for 2015/16 were £12m (at 14.1% of pensionable pay for April 2015 to August 2015 and 16.48% of pensionable pay for September 2015 to March 2016). The cost of added years payments to ex-staff was £1.5m (£1.5m in 2015/16). 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 2016/17 the County Council paid contributions of £162k to the NHSPS, 14.3% 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 2016/17 the County Council paid contributions of £2k to NEST, 1.0% of pensionable pay.

DCC Group

Tricuro

The Local Government Pension Scheme (LGPS) for Tricuro staff, is administered by Dorset County Council. This is a funded scheme, meaning that the Tricuro and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is only open to employees that transferred from Dorset County Council, Bournemouth Borough Council and Poole Borough Council. The LGPS is closed to new entrants from the 1 April 2016. A new scheme has been introduced from 2016/17 for employees not eligible to join the LGPS. The assets and liabilities in relation to the staff that transferred on a fully funded basis on 1 July 2015. The company is responsible for all pension costs incurred post transfer and the three local authorities are responsible for all assets and liabilities in respect of pensionable service before that date.

SWAP

The Local Government Pension Scheme (LGPS) for SWAP staff, is administered by Peninsula Pensions (on behalf of Somerset County Council). This is a funded scheme, meaning that SWAP and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme remains open to new staff to any employees that TUPE into SWAP, however it will close to new entrants from the 1 July 2017. A new scheme will be introduced from 2016/17 for employees not eligible to join the LGPS.

24. Better Care Fund - Pooled Budgets for Health and Social Care

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.

The Council is a partner in the pan Dorset Better Care Fund which is owned by two Health and Wellbeing Boards:
• Dorset
• Bournemouth and Poole
Other partners are:
• NHS Dorset Clinical Commissioning Group,
• Bournemouth Borough Council, and
• Borough of Poole

The gross income of the pan Dorset BCF for the year was £74.613m.

The Council's contribution to the BCF was £6.130m.

Within the BCF, the County Council is in a partnership scheme with NHS Dorset CCG, Bournemouth Borough Council and the Borough of Poole under Section 75 of the Health Service Act 2006. The partnership commenced on the 1 April 2015 and Bournemouth Borough Council hosts the arrangement. The aim of the partnership is to provide a responsive equipment service including the support of intermediate care and reablement services. Details are shown in the following table: -

2015/16 £'000		**2016/17 £'000**
1,455	Expenditure	**1,289**
-	Income	**-**
1,455	Net DCC Contribution	**1,289**

25. Summary of capital expenditure and financing

2015/16 £'000	2015/16 £'000		2016/17 £'000	2016/17 £'000
		Adult & Community Services		
267		New Construction & Improvements	113	
381		Capital Repairs & Maintenance	425	
7		REFCUS	33	
	655			571
		Cabinet/Whole Authority		
1,220		New Construction & Improvements	6,186	
414		Capital Repairs & Maintenance	791	
3,062		Corporate Fleet Vehicle Replacements	2,185	
5,339		ICT	2,397	
11,705		REFCUS	284	
	21,740			11,843
		Children's Services		
10,267		New Construction & Improvements	14,426	
2,140		Capital Repairs & Maintenance	2,039	
142		ICT	223	
10,060		REFCUS	4,930	
	22,609			21,618
		Environment & Economy		
38,242		Infrastructure Improvements	31,396	
12		Capital Repairs & Maintenance	52	
1		ICT	74	
1,139		REFCUS	179	
	39,394			31,701
		Dorset Waste Partnership		
899		Infrastructure Improvements	443	
2,664		Plant & Vehicles	2,833	
(3)		ICT	10	
		REFCUS	3	
	3,560			3,289
	87,958	**Total Capital Expenditure**		69,022
		Sources of Finance		
-		Borrowing (internal & external)	19,791	
72,050		Grants	37,851	
1,497		Other Contributions	3,289	
1,775		PFI and leases	1,898	
4,942		RCCO	2,429	
6,083		Use of Capital Receipts	3,764	
1,611		Use of Reserves and Balances	-	
	87,958	**Total Financing**		69,022

This table gives details of capital spending by service, and how that spending was financed. The table includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) set out in note 15.

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.

26. Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 25, 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:

2015/16 £000s		2016/17 £000s
819,326	Property Plant & Equipment	849,421
5,320	Assets held for sale	5,249
824,646	Total Assets to be funded	854,670
(107,134)	Revaluation Reserve	(113,658)
(391,266)	Capital Adjustment Reserve	(404,669)
326,246	**Capital Financing Requirement 31 March**	336,343
(32,612)	Less Long Term PFI Liability	(30,225)
(6,321)	Less Obligations under Finance Leases	(7,349)
287,313	**Underlying Borrowing Requirement 31 March**	298,769

2015/16 £'000		2016/17 £'000
(5,532)	Effect on the underlying need to borrow	11,456
(5,532)		11,456

27. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2016/17 and earlier years, which were not completed by 31 March 2017. 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.

2015/16 £'000		2016/17 £'000
	Children's Services	
655	Pimperne Primary School replacement	435
150	Leeson House DDA works	125
358	Lulworth Primary	290
782	Manor Park	-
199	Yewstock	146
3,806	Bere Regis Primary replacement	643
7,201	Damers replacement	1,828
1,928	Highcliffe St Marks extension	655
-	Twynham Primary	6,995
-	St Osmunds extend to 6FE	3,066
	Whole Authority	
15,081	Superfast Broadband	9,952
	Environment Directorate	
4,532	Weymouth Relief Road	2,496
3,485	Dorchester Transport & Environment Plan	2,097
100	Bridport Household recycling Centre	-
300	Dinah's Hollow	754
7,005	A338 Major Maintenance	-

28. Asset register

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

2015/16 No	2015/16 £'000		2016/17 No	2016/17 £'000	2016/17 £'000
31	2,447	**Intangible Assets**	**39**		**8,185**
		Operational Assets			
267	106,399	Land	**261**	**107,633**	
181	233,201	Buildings	**174**	**242,960**	
52	6,833	Farms - Land	**51**	**7,247**	
45	5,676	Farms - Buildings	**45**	**6,496**	
4	4,748	Leased buildings	**4**	**4,524**	
1	5,140	PFI Land	**1**	**5,140**	
1	17,420	PFI buildings	**1**	**17,776**	
					391,776
527	14,483	Vehicles	**550**	**16,489**	
32	867	Leased vehicles	**36**	**1,926**	
11	98	Plant	**11**	**74**	
290	680	Furniture & Fittings	**279**	**772**	
79	10,274	Equipment	**97**	**12,059**	
					31,320
2	342,626	**Infrastructure Assets**	**2**		**376,101**
28	10,031	**Community Assets**	**28**		**10,049**
		Non-Operational Assets			
454	47,753	Assets under construction	**431**	**22,249**	
35	10,650	Surplus Assets	**31**	**9,741**	
6	5,320	Assets held for sale (current assets)	**6**	**5,249**	
					37,239
2,046	824,646		**2,047**		**854,670**

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.

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 no longer include unpaved roads or green lanes.

2015/16 Km		2016/17 Km
396	Principal Roads	**396**
1,535	Classified Roads	**1,535**
2,089	Unclassified Roads	**2,107**
4,020		**4,038**

29. 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 and approved by the Auditors in 2010/11. This looked at componentising over a six year period.

The depreciation included in the Comprehensive Income & Expenditure Statement on account of these components is £2287k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £739k (2015/16 = £2905k compared with £724k).

30. Heritage Assets

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

DHC holds the corporate archives of the three authorities along with second tier authorities and 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 DCC (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 three repositories in which the collections are stored meet the requirements of the standard PD5454 (Storage and Exhibition of Archival Material). 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. DCC's corporate memory. Quantifying a monetary value would be extremely hard to do (and would come at a significant cost to the Authority).

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.

In addition to these archives, the Authority owns only one other heritage asset; a painting by Lady Butler, which was presented to the Council in 1926. The painting has been valued but its value is not considered to be material.

31. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities that, amongst other things, governs 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 short-term (i.e. less than one year) investment of surplus funds at 31 March 2017 amounted to £0 million (£0 million at 31 March 2016).

This is a direct result of the Council's Treasury Management strategy, driven by the continued gap between long term borrowing costs and short term investment returns, to use internal balances to avoid borrowing in advance of need where possible.

Joint ventures are also included as an investment.

32. Long-term debtors

An analysis of amounts due to the Council at 31 March 2017, 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.

2015/16 £'000		**2016/17 £'000**
833	Other Local Authorities	**764**
297	Interest in Operating Leases	**294**
3,461	Other	**3,401**
4,591		**4,459**

33. 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 24 earlier in this document) has been included.

2015/16 £'000	**Stocks**	**2016/17 £'000**
524	Highways and Transportation	**490**
46	Fuel Scheme	**67**
179	DWP Inventories	**179**
199	Community Equipment Store	**309**
2	Misc small stock items	**5**
950		**1,050**

34. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2017 is shown below.

2015/16 Debtors £'000	2015/16 Payments £'000		**2016/17 Debtors £'000**	**2016/17 Payments £'000**
9,535	-	Central Government Departments	**10,802**	**-**
19,242	66	Other Local Authorities	**18,414**	**5**
646	-	Health	**3,053**	**-**
20,629	15,403	Other	**24,218**	**9,123**
50,052	15,469		**56,487**	**9,128**

35. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £53.4m may fall due from the District Councils in Dorset in respect of Section 106 (of the Town and Country Planning Act 1990) planning 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.

36. 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 County Council had the following properties which met these criteria at the Balance Sheet date:

Property	**Use/Business Segment**	2015/16 £'000	**2016/17 £'000**
Sherborne House & Gardens	Children's Services	1,500	**1,500**
Damers Road Store	Surplus	380	**380**
North Dorset Business Park	Surplus	810	**739**
Rolls Mill	Surplus	30	**30**
Christchurch Adult Learning Centre	Adult & Community Services	2,600	**2,600**
		5,320	**5,249**

Dorset County Council and North Dorset District Council underwrote a loan of £560k from the Growing Places fund for the North Dorset Business Park. This sum is being recovered as units on the business park are sold. This loan becomes repayable late 2017.

37. Cash (and cash equivalents) and bank balances

Cash in hand includes £0.3m (£0.4m 2015/16) held in interest earning accounts as an alternative to temporary investments. A bank overdrawn figure includes outstanding cheques drawn shortly before the end of the financial year, which were unpresented as at 31 March 2017. The actual bank balance is managed on a daily basis and kept to very modest limits, usually less than £100k.

At 31 March 2016 the balance sheet shows the net cash position being in overdraft. This is because the County Council manages its balances with those of the Dorset Local Enterprose Partnership (LEP) and these accounts show the Dorset County Council element only. At 31 March 2017 the balance sheet shows the net cash position was in credit.

38. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2017 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2015/16 PWLB £'000	2015/16 Other £'000	Analysis of Loans by maturity	2016/17 PWLB £'000	2016/17 Other £'000
820	-	**Short Term Borrowing** (less than 1 year)	**859**	**30,560**
859	800	Between 1 and 2 years	900	**-**
22,829	-	Between 2 and 5 years	22,964	**-**
12,117	-	Between 5 and 10 years	11,083	**-**
10,000	19,500	Between 10 and 15 years	10,000	19,500
8,816	-	Between 30 and 35 years	23,816	**-**
33,000	-	Between 35 and 40 years	18,000	**-**
-	40,000	Between 40 and 45 years	-	40,000
-	35,600	More than 45 years	-	35,600
87,621	95,900	**Long Term Borrowing**	**86,763**	**95,100**
120,278	155,575	**Fair Value of Borrowing**	**127,768**	**206,843**
3.98%	3.99%	Average rate of interest	**3.97%**	**3.18%**

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 25, 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.

39. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2017 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.

2015/16 Creditors £'000	2015/16 Receipts £'000		2016/17 Creditors £'000	2016/17 Receipts £'000
1,867	659	Central Government Departments	**1,494**	**1,165**
4,463	7,264	Other Local Authorities	**6,307**	**6,722**
45,887	567	Other	**47,732**	**3,005**
52,217	8,490		**55,533**	**10,892**

40. 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 2017 are as follows:

	Balance 1 April 2016 £'000	Income £'000	Payments and / or Transfers £'000	**Balance 31 March 2017 £'000**
Misc Provisions	109	258	281	**86**
Schools Reorganisations	747	60	122	**685**
General Insurance Provision	2,419	130	678	**1,871**
	3,275	**448**	**1,081**	**2,642**

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 County Council, this was around £405k. Dorset County 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.

Following the updated Levy of 25% imposed on Scheme Creditors from 1April 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. It is anticipated that the current balance sheet deficit of £5.8 million will be eliminated by the end of the run-off period.

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). The first SFCR will be prepared as at 30 June 2016.

The Council currently has three historic claims with MMI holding reserves of £185k. The number has reduced from £421k as at 31 March 2017.

41. 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.

42. Other long term liabilities

The Salix Fund was established with money advanced by a government agency, match-funded by DCC, to pay for carbon reduction measures in buildings. The fund is replenished from savings in energy costs in the early years of each project (after which, savings accrue to revenue budgets). The fund is available for ongoing reinvestment. However, should there be, at some stage, insufficient compliant schemes in which to invest, Government may require its advance to be repaid.

2015/16 £'000		**2016/17 £'000**
74	SALIX	**114**
74		**114**

43. Trust funds and bequests

The County 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 County Council as trustees and are summarised below.

	Balance 1 April 2016 £'000	Income £'000	Expenditure £'000	**Balance 31 March 2017 £'000**	Capital 31 March 2017 £'000
B Norwood Bequest	2	-	-	**2**	63
T Elliott Bequest	-	-	-	**-**	56
M Dorling Bequest	-	-	-	**-**	71
	2	**-**	**-**	**2**	**190**

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.

2015/16 £'000		**2016/17 £'000**
373,682	Balance brought forward	**391,266**
(45,687)	Depreciation & Impairment	**(36,837)**
(22,908)	REFCUS	**(5,692)**
(3,009)	Net gains/(losses) on disposal of non-current assets	**(2,256)**
(7,521)	Net gains/(losses) on disposal of Academy assets	**(2,651)**
12,023	Minimum Revenue Provision	**16,674**
4,942	Capital Expenditure Charged to the General Fund	**2,429**
72,050	Release of Government Grant	**37,671**
6,083	Use of Capital Receipts	**3,983**
1,611	Transfer from revenue to fund capital expenditure	**82**
391,266	Balance carried forward	**404,669**

45. 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.

2015/16 £'000		**2016/17 £'000**
5,501	Balance brought forward	**6,680**
1,179	Movement in year	**558**
6,680	Balance carried forward	**7,238**

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.

2015/16 £'000		**2016/17 £'000**
114	Balance brought forward	**(855)**
(969)	Movement in year	**(51)**
(855)	Balance carried forward	**(906)**

46. 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.

2015/16 £'000			**2016/17 £'000**	
	(4,473)	Opening balance		**(3,435)**
4,473		Reverse previous year provision	**3,435**	
(3,435)		Current year provision	**(4,437)**	
	1,038	(Charge)/credit to I&E		**(1,002)**
	(3,435)	Closing balance		**(4,437)**

47. 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.

2015/16 £'000		**2016/17 £'000**
24,515	Balance brought forward	**17,406**
62,251	Receipts	**36,776**
20	Notional Interest	**10**
(72,050)	Transferred to Capital Adjustment Account	**(37,671)**
2,670	Adjusted to revenue reserves	**1,634**
17,406	Balance carried forward	**18,155**

48. Revaluation Reserve

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

2015/16 £'000		**2016/17 £'000**
99,497	Balance brought forward	**107,134**
13,637	Revaluation gains on property, plant & equipment	**12,989**
(3,319)	Charges for depreciation & Impairment of non-current assets	**(3,315)**
(621)	Net (gains)/losses on disposal of non-current assets	**(1,745)**
(2,060)	Net (gains)/losses on disposal of Academies	**(1,405)**
107,134	Balance carried forward	**113,658**

49. Financial Instrument Adjustment Account

Financial instruments arise from various types of loan contract or agreements. These activities give rise to a number of risks, including credit risk (debts might not be repaid); liquidity risk (having funds available to meet commitments); re-financing risk (disadvantageous timing for renewal); and market risk (interest rate movements). These topics are addressed in the annual Treasury Management report to the Cabinet.

2015/16 £'000		**2016/17 £'000**
1,509	Balance brought forward	**1,550**
41	Soft Loan Interest Adjustment	**71**
1,550	Balance carried forward	**1,621**

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 2016/17 receipts being used to finance the programme.

2015/16 £'000		**2016/17 £'000**
2,968	Balance brought forward	**(26)**
4,036	Net (gains)/losses on disposal of non-current assets	**5,512**
(66)	Usable Capital Receipts funding revenue income from finance leases	**-**
(6,083)	Use of Capital Receipts to finance new capital expenditure	**(3,983)**
-	Flexible use of capital receipts	**(1,484)**
(881)	Reclassifications between balances and Reserves	**-**
(26)	Balance carried forward	**19**

As well as these reserves, additional capital receipts of £330k have been deferred. These receipts relate to the sale of properties through the Dorset Development Partnership where the cash is being used to provide liquidity to the partnership.

51. Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes as follows: -

For revenue purposes	Balance 1 April 2016 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	**Balance 31 March 2017 £'000**
(a) Capital Financing	406	-	(406)	**-**
(b) PFI Reserves	8,118	288	(502)	**7,904**
(c) Medium Term Strategy	12,010	8,091	(6,315)	**13,786**
(d) Insurance Reserve	8,684	3,919	(1,571)	**11,032**
(e) Trading Account Reserves	1,023	1,966	(2,473)	**516**
(f) Innovation/transformation Fund	753	2,661	(723)	**2,691**
(g) Other Reserves	4,476	561	(2,733)	**2,304**
(h) Reserves from IFRS transition	20,615	2,467	(4,640)	**18,442**
Total Revenue Reserves	**56,085**	**19,953**	**(19,363)**	**56,675**

(a) Capital Financing

Specific reserves have been established to fund future capital schemes where funding for individual projects is dependent upon specific earmarked contributions.

(b) PFI Reserve

This reserve is a sinking fund held for replacement furniture & equipment, and to cover additional costs of any future legislative changes.

(c) Medium Term Financial Strategy

This reserve is maintained to provide a mechanism to help balance the medium term financial plan (MTFP) over the three year planning period. The prospects for Local Govt finance over the next three to five years are extremely challenging and the reserve has benefitted from review and consolidation of other reserves during the year to ensure we make the best planning choices about our future budgets and plans.

(d) Insurance Reserve

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

(e) Trading Account Reserves

The balance held in this reserve incorporates the amount unapplied on the internal trading undertakings appropriation accounts.

(f) Innovation Fund

This reserve was set up to fund one-off expenditure that would deliver future savings.

(g) Other Reserves

Various reserves have been created, the main purposes of which are the replacement or purchase of items of plant or equipment, or to smooth the cost of building repair and maintenance across financial years.

(h) Reserves from IFRS transition

Various reserves were created as a result of transition to IFRS. This was because new treatment was required for grant/contribution income which was not yet spent, but for which the conditions of receiving the grant had been fulfilled. These reserves continue to be shown separately as they are purely for accounting requirements rather than reserves which the Authority has designated for specific purposes.

52. Movement in balances

Total balances decreased by £11.1m during the year to £16.8m. There was a net overspend of £2.1m on revenue budgets subject to cost centre management arrangements. This is included within the general balances figures in this analysis.

2015/16		2016/17				
		General	**LMS***	**Retained Schools**	**Capital**	**Total**
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
31,901	Brought forward	14,710	7,912	2,609	2,626	**27,857**
(11,483)	Use in year	724	(7,912)	(2,609)	-	**(9,797)**
7,439	Additions/outturn	(3,082)	5,465	(3,692)	-	**(1,309)**
27,857	Carried Forward	12,352	5,465	(3,692)	2,626	**16,751**

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

53. Movement on the General Fund Balance

The Comprehensive Income and Expenditure Account is shown on pages 39 and 40. Amounts charged in the Comprehensive Income and Expenditure Statement now use essentially the same accounting conventions as private companies; ie 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 shown on page 43, and summarised in the notes to the Expenditure and Funding Analysis on page 46.

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.

2015/16			2016/17	
£'000	£'000		**£'000**	**£'000**
	(4,044)	**Net surplus/(deficit) to General Fund**		**(11,106)**
		Movement in accruals items:-		
8,675		Long Term Debtors	**132**	
(257)		Stocks	**(100)**	
(9,165)		Debtors	**(94)**	
(2,981)		Creditors	**5,718**	
(1,253)		Provisions	**(633)**	
	(4,981)			**5,023**
		Movement in non-cash items :-		
2,795		Capital Accounts	**(9,773)**	
(210)		Collection Fund Adjustment Account	**(507)**	
(6,286)		Earmarked Reserves	**1,097**	
(2,994)		Capital Receipts Reserve	**45**	
	(6,695)			**(9,138)**
		Movement in financing items:-		
(29,963)		Short Term Borrowing	**30,599**	
(3,855)		Long Term Borrowing	**(2,976)**	
45,000		Short Term Lending	**-**	
-		Long Term Lending	**-**	
	11,182			**27,623**
	(4,538)	**Increase/(Decrease) in Cash**		**12,402**

55. Movement in net funds

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

	Balance 2015/16 £'000	Movement in year £'000	**Balance 2016/17 £'000**
Cash in hand and at bank	(4,424)	12,402	**7,978**
Temporary investments and borrowing	(820)	(30,599)	**(31,419)**
Leases, PFIs & Other	(39,007)	1,319	**(37,688)**
Long Term Investments	38	-	**38**
Long Term Borrowing	(183,521)	1,658	**(181,863)**
	(227,734)	**(15,220)**	**(242,954)**

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.
At 31 March 2017 liquid resources amounted to £0.0 million (£0.0 million at 31 March 2016). This is a result of the Council's treasury management strategy, driven by the continued gap between long term borrowing costs and short term investment returns, to use internal balances to avoid borrowing in advance of need where possible, which has led to a reduction in the level of balances available to invest in short term investments.

2015/16 £'000		**2016/17 £'000**
45,000	Temporary Investments as at 1 April	**-**
-	Transfer (to)/from long term investments	**-**
(45,000)	Increase / (Decrease) in Loans in the Period	**-**
-	Temporary Investments as at 31 March	**-**

57. Critical accounting judgements

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

(i) Asset classifications, valuations and useful lives

The County 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 main reason that the Council holds the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be property, plant and equipment assets. 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 Authority 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 planned introduction of IFRS 16 (the international financial reporting standard for leases) as from the 2019/20 financial year, to replace IAS17 (the international accounting standard for leases), means that the County Council will be required to treat both operating leases and finance leases consistently, and show both classes of lease on the balance sheet. This is likely to have a material impact on the value of assets reported on the Authority's balance sheet.

(iii) Providing for potential liabilities

The County Council has 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.

(iv) The DCC Group Boundary

The County Council applies a series of tests, on an annual basis, in order to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement for production of consolidated accounts. It has, been agreed with the external auditor to treat Tricuro, SWAP and TRICS as joint ventures, on the basis that the Council has joint control due to equal rights with the other jointly controlling organisations, and to consolidate those financial results into DCC Group Accounts.

(v) Annual impairment assessment - DCC Group

Under the requirements of paragraph 58 of IAS 39, an investor must assess at each year-end whether there is any objective evidence that its interests in the (associate or) joint venture are impaired. The loss event giving rise to this evidence must have occurred after the interest was recognised and impact the expected future cash flows from the (associate or) joint venture in respect of that interest to the investor. Loss events that have not yet occurred are ignored, however likely. Such events would be taken into account in future periods. Where evidence of impairment is found, the rules in IAS 36 Impairment of Assets are applied to the entire carrying amount of the entity in determining the amount of the impairment loss.

The assessment for the 2016/17 Accounts is that there is not a requirement for the Council to recognise any impairment in its interest in either Tricuro Support Limited, the South West Audit Partnership or TRICS Consortium.

58. Assumptions about future funding

There is a continuing high degree of uncertainty about future levels of funding for Local Government. While the general fund balance and earmarked reserves can provide a small buffer and/or a fund for invest to save measures for a range of efficiency initiatives, there is still no guarantee that Council Services can continue to be provided at their current levels.

During 2014/15 the Council set aside £7.2m in a special reserve to balance it's budget over the Medium Term Financial Plan (MTFP) period. This reserve was increased to £12m during 15/16. This fund was used in 2016/17 to support the balancing of the 2016/17 budget and to fund transformation work authority wide as well as the £4m one-off funding required to support the transformation work to reduce the numbers of children in care during 16/17. We were also able to top this fund up by a further £8.1m during the year as a result of collection fund balances and a review of the councils existing reserves. This has resulted in a balance to carry forward of £13.8m.

59. Sources of estimation uncertainty

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

There is one item in the Council's Balance Sheet at 31 March 2017 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 Authority with expert advice about the assumptions to be applied.
The effects on the net pensions liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Authority discloses information about the fund elsewhere in this document.

Appendix A

Annual Governance Statement 2016/17

1. Scope of responsibility

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

1.2 In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.3 Dorset County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. These include the additional requirements as recommended by CIPFA in March 2010. A report on the code and the latest assessment of compliance with it was published with the Audit and Governance Committee papers for 13th March 2017 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ. This statement explains how Dorset County Council has complied with the code. It also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 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 meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dorset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Dorset County Council for the year ended 31 March 2017 and up to the date of approval of the annual statement of accounts.

3. The governance framework

3.1 Some of the key features of the governance framework are set out in the following paragraphs.

3.2 The corporate plan sets out the contribution we will make to enabling communities in working together for a successful Dorset.

3.3 Delivery of the County Council's corporate plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

3.4 The Constitution of Dorset County Council establishes the roles and responsibilities for members of the executive (the Cabinet), Overview and Scrutiny, Audit and Governance and Regulatory Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. Proposed changes to the Constitution are overseen by the Audit and Governance Committee. Its views on the suitability of any changes are reported when they are presented to the full County Council for approval.

3.5 The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of and attendance at the Corporate Leadership Team.

3.6 The primary counterbalance to the Cabinet is through the Overview and Scrutiny Committees and the Audit and Governance Committee. These Committees are in place to provide support and a robust challenge to the Executive. The Audit and Governance Committee exercised its 'call to account' powers during 2016/17, in respect of the Ironman Weymouth 2016 event. It resulted in some specific recommendations to the Cabinet which were agreed in full.

3.7 The County Council's Overview and Scrutiny committee structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it. The Dorset Health Scrutiny Committee also continues in its previous role, delivering scrutiny of external health partners and agencies.

3.8 A complaints procedure and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Audit and Governance Committee. This Committee also has responsibility for overseeing the investigation of complaints against members.

3.9 The County Council has a strong risk management function. The risk management policy and strategy are reviewed annually. Risk management is within the remit of the Council's Resilience Group which draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Resilience Group also has a focus on emergency planning, business continuity, information governance and governance more generally. Those risks contained in the councils Corporate Risk Register which have been assessed as high have informed the list of significant governance issues later in this statement.

3.10 Appraisal and review processes are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs. An extensive member induction programme is put in place after the County Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. This is supported by regular member briefing sessions to ensure that members are kept up to date on key issues.

3.11 The County Council is committed to partnership working. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset. Guidance on best practice in partnership governance, together with the development of an alternative service delivery model governance and due diligence checklist that has been adopted to ensure that partnership arrangements are as productive and secure as possible.

4. Review of effectiveness

4.1 Dorset County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2 The Chief Executive has responsibility for:
- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the Corporate Leadership Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

4.3 The Chief Financial Officer has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council.

4.4 The statutory role of Monitoring Officer is held by the Head of Organisational Development. The Monitoring Officer is responsible for ensuring that the Council acts within and through the law. Parallel to the responsibilities of the Chief Financial Officer the Monitoring Officer has a duty to report to the Cabinet where it appears to him that any action or intended action by the Council is unlawful or amounts to maladministration. The Monitoring Officer also has responsibilities in relation to the Council's constitution and in relation to councillor conduct.

4.5 Dorset County Council's Internal Audit Service, via a specific responsibility assigned to the Head of Internal Audit (the Group Manager, Governance and Assurance), is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Since April 2010, internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

4.6 The review of compliance with the governance framework has involved:
- review of the latest position on the core principles by lead officers, including cross-challenge by other leads;
- an assessment of the draft compliance assessment and significant governance issues by Corporate Leadership Team;
- review of the draft compliance assessment and Annual Governance Statement by the Audit and Governance Committee and the Cabinet;

4.7 Plans to address weaknesses and ensure continuous improvement of the system are recorded in the annual compliance assessment.

5. Significant governance issues

5.1 Governance issues can be put into two groups:

(i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

(ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

5.2 In the first group, there were no elements of the framework for which the judgement is that the County Council is non-compliant. There are however three areas where a judgement of partial compliance has been identified and where improvement is considered necessary (down from six last year).

5.3 Actions needed to achieve full compliance are largely covered by existing improvement plans. The issues and actions can be summarised as follows:
(NB: - Further detail is provided against the respective core principles in the compliance assessment. References have been provided at the start of each area for ease of reference):

1g. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Agreed Action:- A new performance management framework using Outcomes Based Accountability is operated to underpin and monitor the Corporate Plan. The Council will further develop mechanisms to better understand how its own performance contributes towards achievement of outcomes, within the resources available.
2j. Ensure that effective mechanisms exist to monitor service delivery. Agreed Action:- A new performance management framework using Outcomes Based Accountability is operated to underpin and monitor the Corporate Plan. The Council will further develop mechanisms to better understand how its own performance contributes towards achievement of outcomes, within the resources available.
7b. Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary Agreed Action:- Rollout of outcomes based accountability will improve accountability of budget managers. However this will need to be supported by executive functions exercising "call to account" to challenge any areas of overspend.

5.4 It is confirmed that the Council's financial arrangements comply with the CIPFA statement on the role of the Chief Financial Officer in local government, other than 7b above, where partial compliance is noted and agreed actions identified.

5.5 The second group are issues that represent a significant risk to the County Council and, as such, are assessed as high risks on the Corporate Risk Register in accordance with the councils approved risk criteria.

5.6 A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. A summary of theses 'significant' issues are outlined below, together with the council's response and actions to deal with these issues:

Corporate Risk	Causes	Council Response
01) Inadequate finance to meet legislative, political and public expectations	Overspend to the Adult & Community Services Directorate Budget and meet the structural deficit	Pathways to Independence Programme includes a transformation of the whole Directorate which will increase independence and reduce the need for long term Adult Social Care; this includes review of the whole system, and a focus on early help and prevention while meeting the requirements of the Care Act
	Failure to achieve Better Care targets across the Dorset public / community sector	There is a significant risk that the agreed plans do not achieve the savings in line with local government funding reductions. Performance on admissions and delayed transfer of care continues to be challenging, which will impact on performance related funding. Performance indicators are largely based on health performance and therefore whilst the local authority can influence this risk, it cannot control it
	Failure to ensure that learning disability services are sustainable and cost-effective	Ongoing management focus on this area of overspend including looking at transition planning between children and adults. Further work is also under way on developing new models of care for supported living for people with disability.
	General balances are depleted to a level below operating range	The current year's anticipated overspend will reduce the general balances to a level just above the lower end of the operating range. Should we fall below the lower end (£10m) it would be raised as a matter for concern by our auditors, KPMG.
	Additional savings cannot be identified to bridge the unfunded gap	The largest risk to the Forward Together programme currently is that even with the identified major transformation programmes there remains a need to deliver a substantial savings target. Work is underway to align the programme more closely to the budget.
	Failure to have in place an equal and legally compliant pay & grading structure	A paper was taken to the Staffing Committee in July 2015 to determine the options associated with undertaking an equal pay audit and the associated resource implications. It was agreed by the committee that the review would be postponed until April 2017 at the earliest.
	Failure to meet Directorate savings targets - Environment & Economy Directorate	Work underway to identify further savings opportunities, via the Environment & Economy Forward Together programme.

Corporate Risk	Causes	Council Response
02) Failure to protect the vulnerable children and young people from abuse or neglect in situations that could have been predicted and prevented	Failure to manage the demands led budget for children in care	The Children's Services Leadership Team continue to monitor performance and impact of budget reductions. South West Audit Partnership undertook a review of high cost areas of provision, including monitoring the pathways of individual cases. A task and finish "Prevention & Partnership Strategy Group" has been established to respond to the action plan from this review. Consultation on restructuring commenced early 2016, including a renewed focus on prevention within the Care and Support Team.
	Failure to deliver Education, Health and Care Plans (EHCP) within Statutory Timelines	Process changes are being implemented, such as improved paperwork to shorten the length of Transfer Review meetings, and increased access to data on line for Planning Review Officers undertaking the Transfer Reviews. Further investigations are underway into the causation of increase.
04) Failure to ensure the health and wellbeing of staff, service users and the public	Health and safety risks associated with occupation of premises	The majority of sites now have a nominated Premises Responsible Person. However, restructuring of services and adoption of Corporate Landlord model has reduced local understanding of the Directorate Duty Holder Strategy. The strategy will be ratified.
05) Inability of the Council or a key partner to effectively respond to an incident or event	Loss of ICT service or data through a cyber attack	Other national incidents identify local authorities as a target. The Council has a ICT Continuity Management Group that maintains and manages a specific risk register.
	Resilience of the property portfolio to enable business continuity	Respond to the healthcheck on business continuity initiated by the Council's Resilience Group
07) Failure to sustain effective relationships across key partnerships	Failure to develop Sustainability & Transformation Plans to achieve place based commissioning as part of the integration with health	There is a sign up of principles with health and testing areas have been identified. There is agreement to put a proposal in the Better Care Fund.

Corporate Risk	Causes	Council Response
09) Inadequate infrastructure to meet Council priorities	Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (eg budget reductions; climate change)	The highway maintenance block allocation increased by 15 % from 2015/16. Further annual business cases will be produced for additional capital investment in highway maintenance.
	Unable to provide sufficient school places (Basic Need)	Programme of delivery of Basic Need Schools in accordance with agreed timescales/costs is being monitored through relevant groups. Whilst the framework has been agreed, we are developing a clear strategy around sufficient school places, which will need to be signed up to by members and partners.
10) Failure to deliver service transformation and necessary savings through the Forward Together programme	Project slippage within an individual workstream impacts negatively on other projects in the programme	Corporate Leadership Team are reviewing the current programme and support arrangements.
	Capacity of staff to deliver transformation programme as well as maintain focus on day to day business (including across support services)	
	Failure to address cultural issues that may impact on the success of the transformation programme	
12) Failure to develop services based on evidence and need	Inadequate assessment of the long term impacts/risks (threats/opportunities) of proposals	A portfolio of impact assessments (Risk; EQIA; evidence) are currently in development.

Corporate Risk	Causes	Council Response
13) Inadequate ICT infrastructure to meet corporate service priorities	Current technology within DCC is insufficient and / or inflexible to meet the anticipated needs of the transformation programme (on a technical or contractual basis)	We are changing the way we deliver core services (WAN, telephony, email, calendar, document sharing and collaboration) which will introduce greater flexibility to collaborate, share and access information with colleagues and partners and improving our service continuity capabilities.
14) Failure to develop, recruit or retain suitably competent/ qualified staff compromises service Delivery	Inability to attract and retain suitably qualified specialist safeguarding staff within Childrens Services	Work is underway with Bournemouth University to deliver a programme for social work/children's services
17) Failure to implement a local government structure to deliver the best possible outcomes for Dorset residents	Lack of support for proposed structure (locally or nationally)	PanDorset programme developed, operating its own risk register

5.7 We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5.6 will be monitored through the year by senior officers and the Audit and Governance Committee.

	
Debbie Ward **Chief Executive** **June 2017**	**Rebecca Knox** **Leader** **June 2017**

PENSION FUND ACCOUNT

2015/16				2016/17	
£'000	**£'000**		***Note***	**£'000**	**£'000**
		Dealings with members, employers and others directly involved in the Fund			
		Contributions	*8 & 9*		
77,413		Employers, normal		79,776	
2,582		Employers, other		2,392	
26,677	106,672	Employees, normal		26,978	109,146
	4,728	**Transfers in from other pension funds**	*8*		3,494
	111,400	**Total additions from dealing with members etc.**			**112,640**
		Benefits	*9*		
83,924		Pensions		87,976	
17,831		Commutations and retirement grants		17,421	
2,402	104,157	Death benefits		2,678	108,075
		Payments to and on account of leavers			
234		Refunds of contributions		364	
48	282	State scheme premiums		71	435
	3,158	**Transfers to other pension funds**			4,024
	3,803	**Net additions/(withdrawals) from dealings with members etc.**			**106**
	11,108	Management expenses	*10*		13,751
	(7,305)	**Net additions/(withdrawals) including Fund management expenses**			**(13,645)**
		Investment Income *			
23,364		Dividends from equities		33,632	
13,560		Rents from properties		11,828	
356		Interest		228	
191	37,471	Other investment income	*13*	197	45,885
		Profit on disposal of and changes in the market value of investments			
208,238		Profit/(loss) on disposal of investments		54,234	
(273,090)	(64,852)	Increase/(decrease) in market value of investments		383,077	437,311
	(27,381)	**Net return on investments**			**483,196**
	(34,686)	**Net increase/(decrease) in assets available for benefits during the year**			**469,551**
	2,301,132	**Opening net assets of the fund 1 April**			**2,266,446**
	2,266,446	**Closing net assets of the fund 31 March**			**2,735,997**

* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

NET ASSETS STATEMENT

31 March 2016 £'000	31 March 2016 £'000		Note	31 March 2017 £'000	31 March 2017 £'000
		Investment assets	*11*		
405,206		UK equities (quoted)		504,282	
520,837		Overseas equities (quoted)		629,158	
971,428		Pooled investment vehicles		1,279,377	
10		Absolute return funds		-	
65,432		Private equity		77,003	
221,125		Property		216,790	
31,600		Temporary investments		-	
1,680	**2,217,318**	Other investment asset balances		2,369	**2,708,979**
	(2,625)	**Investment liabilities**			(4,109)
	2,214,693	**Total net investments**			**2,704,870**
	4,825	Long term debtor			3,860
	-	Long term deferred income			-
		Current assets			
9,447		Trade & other receivables		9,287	
60,226	**69,673**	Cash & cash equivalents	*11*	29,778	**39,065**
		Current liabilities			
(4,891)		Trade & other payables		**(4,213)**	
(17,854)	(22,745)	Deferred income		(7,585)	(11,798)
	2,266,446	**Net assets available to fund benefits at 31 March**			**2,735,997**

The above Pension Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2017.
The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2016-17 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

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

The Council administers the Fund on behalf of its own full time and part-time staff and employees of other local authorities and similar bodies within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, School Academies and Police and Fire non-uniformed staff. The uniformed police and fire services and teachers are not included as they are members of their own unfunded schemes.

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

In its role as the administering authority, the Council's responsibilities include the collection of contributions, the payment of pension benefits, the investment of surplus funds, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners. These activities are governed by the Public Services Pensions Act 2013 and administered in accordance with the LGPS Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016 (as amended).

Performance of these above responsibilities is overseen by the Dorset County Pension Fund Committee ("the Committee") comprising elected members of the Council and other local authorities together with a scheme member representative (nominated by the unions), with day to day administration of the Fund's activities undertaken by Council officers headed by the Fund Administrator. Also, with effect from 1 April 2015, a Local Pension Board ("the Board") was established by the Committee to secure compliance with regulations, legislation and other requirements relating to the governance and administration of the Fund.

For more detailed information, please refer to the Fund's Annual Report.

2. BASIS OF PREPARATION
The statement of accounts summarise the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income: Contributions from both the members and the employers are accounted for on an accruals basis in the payroll period to which they relate. "Other" contributions from employers for early retirement costs are accrued for based on the date of retirement.

Transfers to and from other schemes: Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged.

Investment income: Dividend income is recognised on the date the shares are quoted ex-dividend, rents from properties are recognised on an accruals basis in the accounting period they relate to.

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 trade and other payables (current liabilities).

Management expenses: Fund management expenses are accounted for in accordance with the CIPFA guidance "LGPS Management Expenses".

Net Assets Statement:

Financial assets: Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Investments with a stock exchange listing are valued at bid prices as at the reporting date, investments in pooled vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the investment manager. Unquoted securities are included at an estimated fair value based on advice from the investment manager. All foreign currencies are translated at the rate ruling at the net assets statement date.

Freehold and leasehold properties: Direct holdings of property are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the prevailing valuation standards of the Royal Institution of Chartered Surveyors (RICS).

Derivatives: The Fund uses derivative financial instruments to manage its exposure to currency risk. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open forward foreign exchange contracts as at 31 March 2017.

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in is 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 16 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

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 amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenue and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

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 Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

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. Such events are classified as:

Adjusting events: events that provide evidence of conditions that existed at the end of the reporting period, for example new information coming to light regarding the methodology employed in the valuation of an asset.

Non-adjusting events: events that are indicative of conditions that arose after the end of the reporting period, for example a marked decline in global stock markets that would impact on the market value of the Fund's investments were they to be valued as at the date when the accounts were authorised for issue.

There are no adjusting or non-adjusting events after the reporting date to disclose.

7. MEMBERSHIP

Under the new LGPS scheme effective 1 April 2014 membership of the Fund is automatic for staff with a contract of employment of more than three months. Those with a contract of less than three months can opt to join by request.

Employees of scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme. Employees of admitted bodies will have separate individual arrangements on admission depending on their employer's agreement in place. Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them. All employees can opt out of the scheme at any time.

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2017 and 31 March 2016.

31 March 2016	Contributors	31 March 2017
7,644	Dorset County Council	**7,952**
17,255	Scheduled Bodies	**17,528**
999	Admitted Bodies	**884**
25,898	**Total Contributors**	**26,364**
	Pensioners	
7,879	Dorset County Council	**8,155**
10,484	Scheduled Bodies	**10,978**
1,148	Admitted Bodies	**1,211**
19,511	**Total Pensioners**	**20,344**

In addition there were 22,428 deferred members as at 31 March 2017 who have entitlement to a benefit at some time in the future (21,802 as at 31 March 2016).

8. EMPLOYER CONTRIBUTIONS / TRANSFERS IN FROM OTHER PENSION FUNDS

The normal contributions made by employers consist of two elements - (1) to fund pensions on future service and (2) to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers.

The average contribution rates for the years 2014-15, 2015-16 and 2016-17 set by the 2013 valuation were 13.3% for future service and 5.3% for deficit funding. These rates reflect funding levels at the valuation date of 82% and assumes full deficit recovery over a period not exceeding 25 years depending on each employer's circumstances.

Set out below is an analysis of the employers' normal contributions.

2015/16		2016/17
£'000	**Employer Contributions**	**£'000**
55,234	Contributions re Future Service Costs	56,938
22,011	Contributions re Past Service Costs	22,690
168	Voluntary Additional Contributions	148
77,413	**Total Contributions**	**79,776**

Other Employers' contributions of £2,392k shown in the Fund Account (£2,582k for 2015/16) are amounts paid by employers to the Fund to meet the capital costs of early retirements.

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund.

9. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2015/16			2016/17	
Contributions £'000	**Benefits £'000**		**Contributions £'000**	**Benefits £'000**
33,447	36,246	Dorset County Council	**31,461**	**37,133**
67,490	61,452	Scheduled Bodies	**73,461**	**64,123**
5,735	6,459	Admitted Bodies	**4,224**	**6,819**
106,672	**104,157**		**109,146**	**108,075**

10. MANAGEMENT EXPENSES

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

2015/16		2016/17
£'000		**£'000**
1,337	Administration Expenses	1,425
497	Oversight and Governance	524
9,274	Investment Management Expenses	11,802
11,108	**Total Management Expenses**	**13,751**

Investment Management Expenses for 2016/17 consist of management fees of £8.2M (£6.8M in 2015-16), performance related fees of £0.7M (£0.5M), transaction costs of £0.8M (£0.4M), custody fees of £0.2M (£0.1M), direct operating expenses relating to investment properties of £1.0M (£1.3M) and other fees and costs of £0.9M (£0.2M), in accordance with the CIPFA guidance "LGPS Management Expenses".

11. INVESTMENTS

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

31 March 2016 Market Value %	31 March 2016 Market Value £'000	Portfolio / Manager / Pooled Vehicle	31 March 2017 Market Value £'000	31 March 2017 Market Value %
		Segregated Investments		
17.80%	**405,206**	**UK Equities - Quoted**	**504,282**	**18.40%**
	365,654	Dorset County Council	461,719	
	14,279	Allianz	14,699	
	12,853	Investec	12,910	
	12,420	Wellington	14,954	
22.90%	**520,837**	**Overseas Equities - Quoted**	**629,158**	**23.00%**
	212,804	Allianz	256,188	
	154,112	Investec	181,056	
	153,921	Wellington	191,914	
0.00%	**10**	**Absolute Return (Hedge) Funds**	**-**	**0.00%**
	10	International Asset Management	-	
2.90%	**65,432**	**Private Equity**	**77,003**	**2.80%**
	38,337	HarbourVest	42,903	
	27,095	Standard Life	34,100	
9.70%	**221,125**	**Property (directly owned)**	**216,790**	**7.90%**
	221,125	CBRE Global Investors	216,790	
1.40%	**31,600**	**Temporary investments**	**-**	**0.00%**
	31,600	Dorset County Council	-	
54.70%	**1,244,210**	**Total - Segregated Investments**	**1,427,233**	**52.10%**
		Pooled Investments		
12.60%	**286,118**	**Bonds**	**313,505**	**11.50%**
	286,118	RLAM / Unit Linked Inv Fund - Life Policy	313,505	
6.40%	**146,604**	**UK Equities - Quoted**	**233,028**	**8.50%**
	107,992	AXA Framlington / Unit Trust	185,413	
	38,612	Schroders / Unit Trust	47,615	
3.20%	**71,935**	**UK Equities - Unquoted**	**-**	**0.00%**
	71,935	Standard Life / Trustee Inv Plan	-	
2.90%	**65,186**	**Overseas Equities - Unquoted**	**91,232**	**3.30%**
	65,186	JP Morgan / Unit Trust	91,232	
0.10%	**1,771**	**Absolute Return Funds**	**426**	**0.00%**
	956	Gottex Fund Management / Open Ended Fund	426	
	815	Pioneer Alternative Inv. / Mutual Fund	-	
1.10%	**25,205**	**Property**	**24,281**	**0.90%**
	10,081	Lend Lease Retail Partnership	9,650	
	15,124	Standard Life UK Shopping Centre Trust	14,631	
4.70%	**107,588**	**Diversified Growth Funds**	**119,069**	**4.40%**
	107,588	Barings Asset Management / Non UCITS (PIF)	119,069	
1.30%	**29,030**	**Infrastructure**	**98,043**	**3.60%**
	29,030	Hermes GPE / Infrastructure Fund	36,711	
	-	IFM / Global Infrastucture Fund	61,332	
10.50%	**237,991**	**Liability Driven Investment**	**399,793**	**14.60%**
	237,991	Insight / LDI Active 16 Fund	399,793	
42.70%	**971,428**	**Total - Pooled Investments**	**1,279,377**	**46.80%**
2.60%	**60,226**	**Cash & Cash Equivalents**	**29,778**	**1.10%**
100.0%	**2,275,864**	**Total Investments**	**2,736,388**	**100.0%**

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.

12. 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.

	Value 1 April 2016 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2017 £'000
Equities - Quoted	926,043	446,781	461,295	221,911	1,133,440
Pooled Investment Vehicles	971,428	116,151	33,402	225,200	1,279,377
Absolute Return (Hedge) Funds	10	-	8	(2)	-
Private Equity	65,432	13,467	15,713	13,817	77,003
Property	221,125	3,064	8,212	813	216,790
Forward Foreign Exchange	-	32,723	525	(32,198)	-
Sub-Total	**2,184,038**	**612,186**	**519,155**	**429,541**	**2,706,610**
Temporary investments	31,600	-	31,600	-	-
Cash & Cash Equivalents	60,226	243,140	273,588	-	**29,778**
Total	**2,275,864**	**855,326**	**824,343**	**429,541**	**2,736,388**

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.

13. STOCK LENDING

The Fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £197k comprising £169k from UK equities and £28k from overseas equities, net of charges. The value of stock on loan as at 31 March 2017 was £287.0M, comprised of £278.9M in the UK and £8.1M overseas, secured by total collateral worth £301.8M.

14. FAIR VALUE OF ASSETS

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. 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 form unadjusted quoted prices in active markets for identical assets;

Level 2: where 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 valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2017 and at 31 March 2016 measured at fair value according to the above fair value hierarchy.

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	504,282	-	-	504,282
Overseas equities - Quoted	629,158	-	-	629,158
Pooled Investment Vehicles	-	1,156,627	122,750	1,279,377
Absolute Return (Hedge) Funds	-	-	-	-
Private Equity	-	-	77,003	77,003
Property	-	-	216,790	216,790
Temporary Investments	-	-	-	-
Sub Total	**1,133,440**	**1,156,627**	**416,543**	**2,706,610**
Cash & Cash Equivalents	29,778	-	-	29,778
Total	**1,163,218**	**1,156,627**	**416,543**	**2,736,388**

31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	405,206			405,206
Overseas equities - Quoted	520,837			520,837
Pooled Investment Vehicles	-	915,432	55,996	971,428
Absolute Return (Hedge) Funds	-	-	10	10
Private Equity			65,432	65,432
Property			221,125	221,125
Temporary Investments	31,600			31,600
Sub Total	**957,643**	**915,432**	**342,563**	**2,215,638**
Cash & Cash Equivalents	60,226	-	-	60,226
Total	**1,017,869**	**915,432**	**342,563**	**2,275,864**

During the year ended 31 March 2017 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
Level 1:			
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.
Level 2:			
Pooled investments - unit trusts	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.
Level 3:			
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 (2012).	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.
Pooled investments - hedge funds	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.	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
Level 3:			
Pooled investments - property funds	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.

15. 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 resulting from general market 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, and by gaining exposure to different markets through different investment managers. 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 its issuer 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 temporary investments and cash deposits.

As at 31 March 2017	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	504,282	15.00%	75,642	(75,642)
Overseas equities - Quoted	629,158	15.00%	94,374	(94,374)
Pooled Investment Vehicles	1,279,377	15.00%	191,907	(191,907)
Absolute Return (Hedge) Funds	-	15.00%	-	
Private Equity	77,003	15.00%	11,550	(11,550)
Property	216,790	15.00%	32,519	(32,519)
Temporary investments	-	0.00%	-	-
Cash Deposits	29,778	0.00%	-	-
Total	**2,736,388**	**14.84%**	**405,992**	**(405,992)**

As at 31 March 2016	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	405,206	15.00%	60,781	(60,781)
Overseas equities - Quoted	520,837	15.00%	78,126	(78,126)
Pooled Investment Vehicles	971,428	15.00%	145,714	(145,714)
Absolute Return (Hedge) Funds	10	15.00%	2	(2)
Private Equity	65,432	15.00%	9,815	(9,815)
Property	221,125	15.00%	33,169	(33,169)
Temporary investments	31,600	0.00%	-	-
Cash & Cash Equivalents	60,226	0.00%	-	-
Total	**2,275,864**	**14.39%**	**327,607**	**(327,607)**

(a) (ii) Interest Rate Risk
The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate movements on those investments at 31 March 2017 and 2016 are provided below, based on underlying financial assets at fair value.

(a) (ii) Interest Rate Risk - Sensitivity Analysis
Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2017	Market Value £'000	Change in net assets +1% £'000	-1% £'000
Cash & cash equivalents	29,778	298	(298)
Bonds and LDI	713,298	7,133	(7,133)
Temporary investments	-	-	-
Total	**743,076**	**7,431**	**(7,431)**

As at 31 March 2016	Market Value £'000	Change in net assets +1% £'000	-1% £'000
Cash & cash equivalents	60,226	602	(602)
Bonds and LDI	524,109	5,241	(5,241)
Temporary investments	31,600	316	(316)
Total	**615,935**	**6,159**	**(6,159)**

(a) (iii) Currency Risk
Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

To mitigate the affect 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. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

Currency	31 March 2017 £'000	31 March 2016 £'000
US Dollar	258,366	220,525
Euro	63,364	60,247
Canadian Dollar	27,423	21,016
Japanese Yen	25,509	22,461
Swiss Franc	11,278	6,379
Hong Kong Dollar	10,128	1,770
Australian Dollar	9,956	6,190
Singapore Dollar	9,754	1,127
Norwegian Krone	6,432	1,846
Danish Krone	5,996	2,066
Israeli Shekel	4,759	2,920
Swedish Krona	1,542	3,156
Total Net Exposure	**434,507**	**349,703**

(a) (iii) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out below. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2017 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2017

Currency	%	Change in net assets £'000	£'000
US Dollar	3.24%	8,371	(8,371)
Euro	2.98%	1,888	(1,888)
Canadian Dollar	1.98%	543	(543)
Japanese Yen	3.25%	829	(829)
Swiss Franc	2.70%	305	(305)
Hong Kong Dollar	0.41%	42	(42)
Australian Dollar	2.56%	255	(255)
Singapore Dollar	1.66%	162	(162)
Norwegian Krone	0.46%	30	(30)
Danish Krone	0.40%	24	(24)
Israeli Shekel	0.39%	19	(19)
Swedish Krona	0.32%	5	(5)
Total		**12,473**	**(12,473)**

As at 31 March 2016

Currency	%	Change in net assets £'000	£'000
US Dollar	2.40%	5,293	(5,293)
Euro	2.21%	1,331	(1,331)
Canadian Dollar	2.21%	464	(464)
Japanese Yen	2.78%	624	(624)
Swiss Franc	1.74%	111	(111)
Hong Kong Dollar	0.30%	5	(5)
Australian Dollar	2.69%	167	(167)
Singapore Dollar	1.40%	16	(16)
Norwegian Krone	0.46%	8	(8)
Danish Krone	0.30%	6	(6)
Israeli Shekel	0.39%	11	(11)
Swedish Krona	0.33%	10	(10)
Total		**8,048**	**(8,048)**

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of temporary investments and bonds held in pooled investment vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

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, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2017 is the carrying amount of the financial assets.

Investment	31 March 2017 £'000	31 March 2016 £'000
Temporary Investments	-	31,600
Bank Account Deposits	2,628	2,426
Money Market Funds	27,150	57,800
Bonds held in Pooled Investment Vehicles	713,298	524,109
Total	**743,076**	**615,935**

An analysis of the fair value of bonds held as at 31 March 2016 and 2015 by credit grading within the credit risk is shown below.

	31 March 2017		31 March 2016	
Bond Rating	**%**	**£'M**	**%**	**£'M**
Government bonds	56.0%	400	45.4%	238
Corporate bonds:				
AAA	3.6%	26	5.0%	26
AA	4.5%	32	5.9%	31
A	12.9%	92	15.5%	81
BBB	16.6%	117	20.5%	108
BB or less	2.2%	16	2.7%	14
Unrated	4.2%	30	5.0%	26
Total	**100.0%**	**713**	**100.0%**	**524**

(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 2017, liquid assets were £2,344M representing 86% of total net assets (£1,958M at 31 March 2016 representing 86% of total net assets at that date).

16. 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 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2017 were set at the previous valuation calculated as at 31 March 2013. The common contribution rate for 2016/17 was 18.6%, comprising future service contributions of 13.3% and deficit recovery contributions of 5.3%. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017/18	2018/19	2019/20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
Total employer contributions	**20.00%**	**20.70%**	**21.40%**

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 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period has been reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 and 2013 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 2016	**Valuation 2013**	
Rate of return on investments	5.40%	6.00%	per annum
Rate of increases in pay (long term)	3.90%	4.20%	per annum
Rate of increases in pay (short term)	2.40%	2.70%	per annum
Rate of increases to pensions in payment	2.40%	2.70%	per annum

17. 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, using the same base data as the funding valuation rolled forward to the current financial year, taking account of 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 2017 is set out in Appendix C Pension Fund - IAS 26 Disclosures to these financial statements 2016/17.

18. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council administers an in-house AVC Scheme with two designated providers, Prudential and 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 County Council as employer deducted and paid to the AVC providers a total of £322k in 2016-17 (£352k in 2015-16).

19. RELATED PARTIES

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 2017 contributions of £1.2M were accrued as at 31 March 2017. Management and administration costs of £1.5M were incurred by the Council and recharged to the Fund in 2016/17. 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 2017, four members of the Committee were contributing members of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.5M recharge from the Council includes a charge of £16,000 for the Fund Administrator's time spent working for the Fund.

20. CONTINGENT ASSETS AND LIABILITIES

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 2017 do not reflect any potential recovery of tax.

Barnett Waddingham
a true partnership approach

Dorset County Pension Fund

Pension accounting disclosure as at 31 March 2017
Prepared in accordance with IAS26

10 May 2017

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1. Introduction

We have been instructed by Dorset County 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 2017.

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.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

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.

2. Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Dorset County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2017;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2016 and 31 March 2017; and
- Details of any new early retirements for the period to 31 March 2017 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

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. Further, 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, as at 31 March 2016.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	26,402	419,329	46
Deferred pensioners	27,749	30,926	46
Pensioners	18,673	85,599	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2017.

We have been notified of 71 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 £554,200.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2017 is as follows:

Asset breakdown	31 Mar 2017		31 Mar 2016	
	£000s	%	£000s	%
Equities	1,534,704	56%	1,275,200	56%
Gilts/LDI	399,793	15%	237,991	11%
Cash	29,387	1%	82,409	4%
Other Bonds	313,504	11%	286,117	13%
Diversified Growth Fund	119,069	4%	107,588	5%
Property	241,071	9%	246,330	11%
Infrastructure	98,043	4%	29,030	1%
Hedge Fund	426	0%	1,781	0%
Total	**2,735,997**	**100%**	**2,266,446**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2017 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

3. Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2017, we have rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. These assumptions have been updated from those adopted at the last accounting date. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2017	31 Mar 2016
Retiring today			
	Males	23.9	22.9
	Females	26.0	25.3
Retiring in 20 years			
	Males	26.1	25.2
	Females	28.3	27.7

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results in Section 4 and the Appendices are as follows:

Assumptions as at	31 Mar 2017	31 Mar 2016	31 Mar 2015
	% p.a.	% p.a.	% p.a.
Discount rate	2.8%	3.7%	3.3%
Pension increases	2.7%	2.4%	2.4%
Salary increases	4.2%	3.9%	3.9%

These assumptions are set with reference to market conditions at 31 March 2017.

Our estimate of the duration of the Fund's liabilities is 20 years.

The discount rate is the annualised yield at the 20 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 20 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 71 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2,076,000. This figure has been included within the service cost in the statement of profit or loss.

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4. Results and disclosures

We estimate that the net liability as at 31 March 2017 is a liability of £2,085,683,000.

The results of our calculations for the year ended 31 March 2017 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2017;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme D Muir FFA
Partner

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Appendix 1 Statement of financial position as at 31 March 2017

Net pension asset as at	31 Mar 2017	31 Mar 2016	31 Mar 2015
	£000s	£000s	£000s
Present value of the defined benefit obligation	4,821,680	3,802,083	3,904,470
Fair value of Fund assets (bid value)	2,735,997	2,266,446	2,301,085
Net liability in balance sheet	**2,085,683**	**1,535,637**	**1,603,385**

*Present value of funded obligation consists of £4,627,930,000 in respect of vested obligation and £193,750,000 in respect of non-vested obligation.

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Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2017

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2017 £000s	Year to 31 Mar 2016 £000s
Opening defined benefit obligation	**3,802,083**	**3,904,470**
Current service cost	121,527	134,427
Interest cost	139,222	127,655
Change in financial assumptions	953,344	(292,671)
Change in demographic assumptions	57,811	-
Experience loss/(gain) on defined benefit obligation	(173,300)	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(108,061)	(103,315)
Past service costs, including curtailments	2,076	4,693
Contributions by Scheme participants and other employers	26,978	26,824
Unfunded pension payments	-	-
Closing defined benefit obligation	**4,821,680**	**3,802,083**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2017 £000s	Year to 31 Mar 2016 £000s
Opening fair value of Fund assets	**2,266,446**	**2,301,085**
Interest on assets	83,865	76,002
Return on assets less interest	387,144	(113,056)
Other actuarial gains/(losses)	-	-
Administration expenses	(1,834)	(1,600)
Contributions by employer including unfunded	81,459	80,506
Contributions by Scheme participants and other employers	26,978	26,824
Estimated benefits paid plus unfunded net of transfers in	(108,061)	(103,315)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**2,735,997**	**2,266,446**

The total return on the Fund's assets for the year to 31 March 2017 is £471,009,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	4,729,478	4,821,680	4,915,772
Projected service cost	172,947	177,249	181,662
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	4,835,462	4,821,680	4,808,010
Projected service cost	177,249	177,249	177,249
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	4,901,989	4,821,680	4,742,971
Projected service cost	181,662	177,249	172,939
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	5,001,183	4,821,680	4,648,822
Projected service cost	182,902	177,249	171,770

ACADEMY	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.
ACCOUNTING DATE	The date to which an organisation makes up its Financial Statements. Like all Local Authorities, DCC's accounting date is 31 March.
ACCOUNTING PERIOD	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.
ACCOUNTING POLICIES	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.
ACCRUAL	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.
ACTUARIAL GAINS AND LOSSES	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.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
AMORTISATION	Amortisation is the equivalent of depreciation for intangible assets (see below).
ASSET	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).
ASSETS HELD FOR SALE	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the Council's plans expressed in financial terms.
CALL TO ACCOUNT	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.
CAPITAL CHARGE	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.
CAPITAL EXPENDITURE	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).
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
CARRYING AMOUNT	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.

COLLECTION FUND	A fund maintained by District, Unitary and Borough councils for the collection and distribution of council tax receipts. County, District, Unitary and Parish Council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
COMMUNITY ASSETS	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An examples would be a country park.
COMPONENT ACCOUNTING	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.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	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.
CORPORATE & DEMOCRATIC CORE	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.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	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.
CURRENT ASSETS	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
CURRENT LIABILITIES	Amounts owed by the Local Authority which are due to be settled within 12 months.
CURRENT SERVICE COST	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT	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.
DEBTORS	Amounts due to the Authority but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use or consumption of a fixed asset during the accounting period.
DONATED ASSET	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".
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
ESTIMATION TECHNIQUES	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.

FINANCIAL ASSET	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
FINANCIAL INSTRUMENT	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.
FINANCIAL LIABILITY	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
FORMULA SPENDING SHARE (FSS)	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
FULL TIME EQUIVALENT (FTE)	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.
HERITAGE ASSET	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.
IAS	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.
IFRS	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.
IMPAIRMENT	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.
INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
INVENTORIES	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
INVESTMENT PROPERTY	Investment property is property (land or a buildings) held by the Authority to earn rental income or for capital appreciation or both.
LEASE (EMBEDDED LEASE)	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.
LEASE (FINANCE LEASE)	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.
LEASE (OPERATING LEASE)	Any lease which is not a finance lease.
LOCAL MANAGEMENT IN SCHOOLS (LMS)	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 ringfenced and are not available to the remainder of the County Council.
MEASUREMENT	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.

MEDIUM TERM FINANCIAL PLAN (MTFP)	The Council's three-year, rolling, financial plan.
NATIONAL NON-DOMESTIC RATES (NNDR)	District Councils collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Police and Fire Authorities on the basis of the resident population.
NON-CURRENT ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
NON-DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
OPERATING SEGMENTS	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. DCC has chosen Directorates as its operating segments.
OTHER OPERATING INCOME AND EXPENDITURE	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.
PAST SERVICE COST	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.
PRECEPT	A levy requiring the District and Borough Councils to collect income from council taxpayers on behalf of the County Council. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
PROVISIONS	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.
RELATED PARTY	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 DCC if, for example, a person employed by DCC has significant influence over the entity or is a member of the key management personnel of that entity.
REFCUS	Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. 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.
RESERVES	Sums set aside and earmarked to meet the cost of specific future expenditure.
RESIDUAL VALUE	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
REVALUATION RESERVE	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.
REVENUE EXPENDITURE	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature, 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.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Council in support of its day to day expenditure and distributed on a formula basis.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SEGMENTAL ANALYSIS	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
SERVICE CONCESSION	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.
SOFT LOAN	A loan with an interest rate below market rates.
SPECIFIC GRANTS	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.
SUBSEQUENT EXPENDITURE	Expenditure which is incurred on an asset after it has begun its useful economic life.
SURPLUS ASSETS	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.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the County Council from outside contractors or other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRADING UNDERTAKING	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).
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.
UNUSABLE RESERVES	Those that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
USABLE RESERVES	Those that can be applied to fund expenditure or reduce local taxation.