



Thriving communities in balance  
with the natural environment

# Final Accounts 2018 - 2019





# Statement of Accounts 2018/19

## Contents

### Narrative Report

	<b>Page</b>	<b>Page</b>
1. Introduction		1
2. Corporate Strategy		2
3. Council performance		2-4
4. Risk and performance management		4-5
5. Financial performance		5-11
6. Economy, efficiency and effectiveness		12
7. Local government reorganisation		12
<b>Statement of Responsibilities</b>		13
<b>Audit Opinion</b>		
<b>Annual Governance Statement</b>		15-23

### Statement of Accounts

#### **Section 1 - Core Financial Statements**

Introduction	24
Comprehensive Income and Expenditure Statement	25
Movement in Reserves Statement	26
Balance Sheet	27-28
Cash Flow Statement	29

#### **Section 2 - Notes to the Core Financial Statements**

##### **General Notes**

Note 1	Accounting Standards issued but not yet adopted	30
Note 2	Accounting Policies	30 - 43
	General Principles	30
Policy 1	Accounting Estimates	31
Policy 2	Accounting Policy Changes	31
Policy 3	Accruals of Income and Expenditure	31
Policy 4	Business Rates Appeals	31
Policy 5	Cash and Cash Equivalents	32
Policy 6	Contingent Assets and Liabilities	32
Policy 7	Employee Benefits	33
Policy 8	Events After the Balance Sheet Date	34
Policy 9	Financial Instruments	34
Policy 10	Financial Loans	35
Policy 11	Foreign Currency Transactions	35
Policy 12	Government Grants and Contributions	36
Policy 13	Heritage Assets	36
Policy 14	Intangible Assets	36

<b>Contents continued</b>		<b>Page</b>	<b>Page</b>
Policy 15	Inventories and Long Term Contracts	37	
Policy 16	Investment Property	37	
Policy 17	Leases	37	
Policy 18	Non-Current Assets Charges to Revenue	38	
Policy 19	Overheads and Support Service Charges	38	
Policy 20	Prior Period Adjustments	38	
Policy 21	Prior Period Errors	38	
Policy 22	Property Plant and Equipment	39-42	
Policy 23	Provisions	42	
Policy 24	Reserves and Balances	42	
Policy 25	Revenue Expenditure Funded from Capital Under Statute	43	
Policy 26	Trust Funds	43	
Policy 27	VAT	43	
Note 3	Critical Judgements in Applying Accounting Policies		43
Note 4	Material Items of Income and Expense		44
Note 5	Assumptions about the Future and Other Major Sources of Estimation Uncertainty		44-46
Note 6	Contingent Liabilities		47
Note 7	Related Parties		47-48
Note 8	Events after the Balance Sheet Date		49-50
<b>Comprehensive Income and Expenditure Statement Notes</b>			
Note 9	Officers' Remuneration		52
Note 10	Councillors' Allowances		53
Note 11	Exit Packages		53
Note 12	External Audit Costs		54
Note 13	Specific Revenue Grant Income		54
Note 14	Leases		55
Note 15	Impairment Losses		56
Note 16	Analysis of Income and Expenditure		57-59
Note 17	Other Operating Expenditure		60
Note 18	Financing and Investment Income & Expenditure		60-61
Note 19	Taxation and Non Specific Grant Incomes		61-62
Note 20	Capital Grants & Contributions		63
<b>Movement in Reserves Statement Notes</b>			
Note 21	Note to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis.		64-68
Note 22	Revenue Expenditure Funded from Capital Under Statute		69
<b>Balance Sheet Notes</b>			
Note 23	Property, Plant and Equipment		70-74
Note 24	Construction Contracts		74

<b>Contents continued</b>		<b>Page</b>	<b>Page</b>
Note 25	Investment Properties		74
Note 26	Intangible Assets		74
Note 27	Financial Instruments		74-79
Note 28	Disclosure of Nature & Extent of Risks Arising from Financial Instruments		79-82
Note 29	Debtors – Long-term		82
Note 30	Investments – Short-term		82
Note 31	Inventories		82
Note 32	Assets Held-for-sale		83
Note 33	Debtors – Short-term		83
Note 34	Cash and Cash Equivalents		84
Note 35	Creditors – Short-term		84
Note 36	Provisions		85
Note 37	Long-term Liabilities		85
Note 38	Defined Benefit Pension Scheme		86-91
Note 39	Usable Reserves		92-97
Note 40	Unusable Reserves		98-102
Note 41	Capital Expenditure and Capital Financing		102-103

#### **Cash Flow Statement Notes**

Note 42	Net Cash Flow from Operating Activities		105
Note 43	Cash Flow Operating Activities - Interest		106
Note 44	Net Cash Flows from Investing and Financing Activities		106

#### **Section 3 – Collection Fund**

Collection Fund			108-120
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#### **Business Rates (National Non-Domestic Rates) Notes**

Note 1	Business Rates Income and Expenditure Statement	108	108-114
Note 2	Business Rates Scheme	110	
Note 3	Renewable Energy Sites	111	
Note 4	Enterprise Zone – Dorset Innovation Park	111	
Note 5	Transitional Protection Payments / Premiums	111	
Note 6	Cost of Collection	112	
Note 7	Impairment Allowance	112	
Note 8	Backdated Appeals Provision	112	
Note 9	Payment Shares	113	
Note 10	Surplus / (Deficit)	113	
Note 11	Total Expenditure	114	
Note 12	Deficit for the Year	114	

#### **Council Tax Notes**

Note 1	Council Tax Income and Expenditure Statement	115	115-120
Note 2	Council Tax Background	116	
Note 3	Council Tax Support	117	
Note 4	Council Tax Charges	117	

<b>Contents continued</b>		<b>Page</b>	<b>Page</b>
Note 5	Impairment Allowance	117	
Note 6	Payment of Demands (Precepts)	117	
Note 7	Town and Parish Local Precepts	118	
Note 8	Surplus / (Deficit) Adjusted for in Year	119	
Note 9	Total Expenditure	119	
Note 10	Surplus / (Deficit) for the Year	120	

**Section 4 – Glossary of Terms**

122-128

# **Purbeck District Council**

## **Statement of Accounts 2018/19**

### **Narrative Report**



## Narrative Report

### 1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year 2018/19. Finance is one of the key resources used in delivering the Council's ambition for the district which is articulated in the Corporate Strategy. It is therefore important that the Council's financial performance is viewed in the context of the Council's overall performance in delivering its corporate objectives. Key to this is the Council's risk management and performance monitoring regime as well as its financial sustainability and resilience, to ensure it could deliver its longer-term vision.

With this in mind the Statement of Accounts is structured as follows:

#### **Narrative Report on the Council's Performance**

The narrative report provides an explanation of the most significant aspects of the Council's overall performance, both financial and non-financial; a brief explanation of the core financial statements; and the year-end financial position.

#### **Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the District Council and the Chief Finance Officer in the preparation of the Statement of Accounts.

#### **Annual Governance Statement**

The Annual Governance Statement is required by the Accounts and Audit Regulations and explains how the Council has complied with its Local Code of Corporate Governance and reports on the outcome of the annual review of the effectiveness of the system of internal control.

The Annual Governance Statement must be considered alongside the Financial Statements for the year because it provides assurance concerning the system of internal control, which affects the accuracy and completeness of accounting entries. Monitoring of performance against the action plan is reported to the Audit and Governance Committee.

#### **Statement of Accounts**

The Statement of Accounts sets out the Council's financial performance for the year and shows comparisons against the previous year. The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. During 2018/19 there were no changes in statutory functions to take into account.

The Statement comprises the following sections:

- Core Financial Statements
- Notes to the Core Financial Statements
- Collection Fund
- Glossary of Terms

## 2. Corporate strategy

The Council's five-year Corporate Strategy focuses on its aspirations for its local communities. It also reflects the economic background to the development and delivery of the Corporate Strategy. The Corporate Strategy was reviewed during 2016/17, confirming the following corporate priorities:

- Protecting and enhancing the local environment;
- Meeting the housing needs of local people;
- Improving the local economy and infrastructure;
- Enhancing local communities and involvement;
- Being an efficient and effective Council.

Copies of the Corporate Strategy 2016/21 can be obtained from the Council's offices at Westport House, Wareham.

Since the review of the Corporate Strategy was completed, the Government has agreed to the reorganisation of local government in Dorset. The Council will form part of a new unitary Dorset Council, with the areas covered by East Dorset, North Dorset, West Dorset and Weymouth and Portland Borough Council. The Corporate Strategy remained the Council's principal focus until reorganisation on 1 April 2019.

## 3. Council performance

The Council monitors its performance against the above corporate priorities on a six-monthly basis and reports this to the Audit and Governance Committee, through its performance bulletin, which can be found on the Council's website. The performance bulletin is also sent to all Councillors for information.

The performance for the full year against each of the corporate priorities has been assessed as good, based on a traffic light system. Areas of particular interest are highlighted below.

The **protection of the natural environment** was helped by the adoption of the Local Plan towards the end of 2012, which resulted in a large increase in green belt. In 2013/14, the Council started working on a partial review of the Local Plan, with the aim of completing this by the end of 2017. During 2016/17 there was an acceptance by the Council that decisions to widen the scope of the Partial Review resulted in it being a full review of the Local Plan. The Council has recently submitted its draft Local Plan to the Planning Inspectorate and an examination on its proposals is expected in the summer of 2019. The draft Local Plan includes housing development in line with the minimum housing target using the Government's methodology, whilst continuing to protect the local environment.

The Council is committed to maintaining what is unique about the district's natural and historic environment. Consequently, character appraisals of all of the district's conservation areas are up to date.

Recycling in the district started to improve from March 2014, with the introduction of a new refuse collection and recycling service. In 2018/19 the recycling performance reached 54.36%, which exceeded the 50% target. This service is delivered by the Dorset Waste Partnership. The partnership's aim is to achieve an efficient and effective service by which the County Council, as the disposal authority, invests in collection services to reduce total cost and increase recycling.

## Statement of Accounts 2018/19 – Narrative Report

Progress is being made in **meeting the housing needs of local people** with the purchase of three properties during 2018/19; these will be used to provide temporary accommodation for homeless families. Unfortunately, no new units (21 in 2017/18) of affordable housing were completed during the year, compared to the annual target of 25.

Towards the end of 2016/17 the Council received a community housing fund grant of £0.91m. The aim of the grant is to help counter the negative impact second homes have on local communities by increasing house prices, making them unaffordable for local people. The grant is to support community led housing initiatives to help local people solve local housing problems by creating affordable homes and strong local communities. The Council has appointed a specialist in this subject to support community land trusts in the district. In addition, the Council has helped two community land trusts with direct financial support.

The Council has made good progress in its preparations for custom and self-build properties with the creation of its register. The draft Local Plan includes provision for building some properties under this initiative. The Council has also made good progress in working with partners to reduce the number of unoccupied houses and under-occupied social houses. It is hoped these preparations will help to address housing problems in the next few years.

Recognising the importance of **improving the local economy and infrastructure** in delivering higher paid jobs to make local housing more affordable for local people and thereby also stimulating local communities, the Council's capital programme has been focused on economic growth.

The Council's proposed investment of £0.44m in superfast broadband is on track to deliver greater connectivity to the internet for local businesses. Additional investment by the Local Enterprise Partnership at Dorset Innovation Park will deliver ultra-fast broadband at the site.

The Enterprise Zone at Dorset Innovation Park officially began on 1 April 2017. With the support of the District Council, funding 1/6, the County Council acquired the freehold of the site. The District Council and the County Council previously worked together to acquire the quadrant site, which has been developed with small industrial units, with an investment of £3m shared equally between the two councils. Enterprise zone status is attracting investment and new businesses are proposing to move to the site where they may benefit from a business rates holiday for up to five years, whilst all business rates growth from the site will be available for re-investment in the site.

The Management Board for the site has developed a five-year investment plan. It also commissioned the preparation of a Local Development Order, which was approved by the Council's planning Committee in 2018. The Local Development Order will guide future development at the site. It will also streamline and speed up the planning process.

The local economy also benefits from the development of the Prospect Business Park in Swanage; a £2m project undertaken in partnership with Homes England. All of the plots have now been sold and built out.

The Council's proposals to develop the local economy have not all been so successful. The proposed redevelopment of the Westminster Road depot site, with the waste partnership, has failed to move forward because of changes in the objectives for the redevelopment. It is now being redeveloped without any business units for the sole use by the Waste Partnership.

The Council's objective of "**enhancing local communities**" often involves the Council working in partnership with other agencies. This includes working with and supporting Town and Parish

## Statement of Accounts 2018/19 – Narrative Report

Councils to ensure they reflect the aspirations of local people by having effective neighbourhood plans. Lytchett Matravers' neighbourhood plan has been adopted and the neighbourhood plan for Bere Regis has passed its examination and was subject to a referendum in May 2019. The neighbourhood plan for Wareham is moving closer to an examination, which may be achieved during 2019/20.

The Council also works in partnership with various agencies to reduce crime and anti-social behaviour. During 2018/19 there has been a great deal of effort in achieving this objective but the amount of crime has increased. The Council has a crime reduction plan which links to the priorities of the Community Safety Partnership. Staff have continued working towards rural crime reduction through the Dorset Rural Crime Partnership and local issues through the Partnership Coordinating Group working with local police and agencies. Internally the team has managed the delivery of Slavery awareness training to frontline staff.

Data from Sport England Active Lives Survey shows there is no change in the districts activity levels, although Purbeck Sports Centre has seen a significant increase in the Learn to Swim programme, Gold Card members have grown and participation in exercise classes has increased. The exercise referral programme has had a successful year with around 60% conversion to Gold Card or Diamond Cards.

The Council has achieved its objectives for **“being an efficient and effective council”** with a strong financial performance and good levels of customer satisfaction. Comparison with the performance of other local authorities shows 80% of the Council's services are better than average. The only exception is the response to fly-tipping, which is poor because the amount of fly-tipping is increasing and the types of material being tipped (tyres and building material) do not lend themselves to investigation.

The Council has supported the development of a staff well-being group. The group organised various events for staff which the Department for Business, Innovation and Skills claim will result in improved staff performance. The Council has also continued to invest in staff training to prepare staff for the creation of the new unitary Dorset Council. In the summer of 2017, the Council took on three apprentices, all of whom secured permanent positions within the Council. In March 2017, the Council was re-inspected and retained the Investors in People award. The Council first received the accolade in 2008 and this latest successful re-assessment, recognises the Council's commitment to its workforce.

A Corporate Peer Challenge Review by the Local Government Association in March 2016, concluded the Council has proactive and effective management of its finances with political and managerial leaders displaying real 'ownership' and understanding of the Council's current and future financial position.

### **4. Risk and performance management**

The Council's approach to service plans is based on an embedded risk management approach. The risks associated with delivering the Corporate Strategy targets are reviewed by each service together with other service delivery-related risks. Action plans are developed to mitigate the risks. If the impact of a risk is sufficiently broad or very high it is also identified in the corporate risk register. The risks identified in the service risk registers therefore feed into the corporate risk register as well as the corporate strategy risk register.

## Statement of Accounts 2018/19 – Narrative Report

The 2018/19 review of the Council's risks included the Management Team completing a separate review of the corporate risks facing the Council, which is incorporated into the corporate risk register and feeds into service registers, where steps to mitigate the risks are taken. The most significant risk identified was the potential impact of local government re-organisation on the effective delivery of the Council's services in 2018/19.

The service implications of the UK leaving the European Union (EU) with or without a "deal" were considered as part of the risk assessment. It was agreed there are no direct impacts on the Council's services because the Council has few EU nationals in its direct or indirect workforce, it has only one vehicle and no ports or airports. However, the Council recognises there may be implications within the district for the care and hospitality industries.

The risk register actions are incorporated into personal targets for each member of staff in their annual development review. The actions are also recorded in the Council's performance monitoring system. This features in monthly 1-2-1 meetings between staff and managers.

The Council monitors its overall performance using the "balanced scorecard". Performance indicators have been identified in each of the dimensions of the scorecard. These indicators are recorded in the performance monitoring system and form part of the monthly and quarterly monitoring regime. The Council uses a traffic light system and three of the four scorecard dimensions were green for good for 2018/19. The exception was learning and growth, which was amber.

Performance is summarised below:

**Customer Satisfaction** is measured for all of the Council's key frontline services and in 2018/19 satisfaction levels were assessed as good for all services.

**Business Processes** are assessed against key performance indicators. These are achieving the targets set, with the exception of the proportion of new housing which is affordable housing.

**Learning and Growth** is one of the areas of the balanced scorecard where the Council's performance has not met the necessary level to be defined as good. It has been assessed as amber (fair) rather than green. The Council has not met its targets for both long-term and short-term sickness. Long-term sickness tends to be more serious illnesses whereas short-term sickness is often taken to be a measure of morale. The Council's performance in ensuring staff have an annual appraisal has also failed to achieve the target set, due in part to managers spending a considerable amount of time in preparing for the creation of Dorset Council.

**Finance** performance is also assessed as good with budgets being slightly overspent during the year. The collection rates for both council tax and business rates achieved their target.

Performance is reported to the Audit and Governance Committee on a quarterly basis for the corporate scorecard and half-yearly for the corporate strategy. Further information on the Council's performance can be obtained from the Performance Officer at the Council's offices at Westport House, Wareham, or downloaded from our website at [www.dorsetforyou.com/purbeck](http://www.dorsetforyou.com/purbeck)

### 5. Financial performance

In 2018/19, the Council received another substantial reduction in its resources from Government, including the final removal of Revenue Support Grant (RSG) of £0.12m. Thereafter, the Council would have been subject to a negative tariff adjustment, which it would

## Statement of Accounts 2018/19 – Narrative Report

have had to pay the Government. However, the Government has cancelled the requirement for negative tariff adjustments as part of the financial settlement for 2019/20.

A new finance settlement is due in 2020/21, following a fair funding review by the Government and 75% retention of business rates, which increases uncertainty in the available resources of local authorities in the short and medium terms. The last change to the local government finance system, in 2013/14, added considerable risk to local authorities due to the localisation of both business rates and council tax support.

The localisation of business rates resulted in local authorities sharing in the benefits of growth in the local economy. Conversely, their incomes reduce if business rates are reduced. There is, however, a safety net which caps any reduction at 7½% of the original baseline. Local authorities also share in the risk of successful appeals against rateable values. This may result in a local authority's income from business rates reducing despite a strong local economy.

In 2014/15, the Council increased its provision for backdated appeals by £4.1m to £4.6m to take account of the likelihood of some major appeals being granted. The Council's share of this provision was £1.8m (40%), the remainder of the provision is shared with Government and other local authorities. Further explanation is set out in Policy 4. In 2015/16 the provision funded refunds of £0.4m to Purbeck businesses and over £2m to the Ministry of Defence for two appeals against the 2005 and 2010 valuation lists. The provision was increased again at the end of 2015/16 by £3.5m to a balance of £5.7m, to allow for payment of the outstanding Wytch Farm oilfield appeal backdated to 2010. An initial settlement of £4.7m was paid in respect of this appeal in 2016/17, with a further payment of £1.67m at the end of 2017/18 but paid in 2018/19. During 2017/18 the backdated appeal provision reduced from £3.9m to £1.37m at 31 March 2018 and it now appears to be adequate to meet the appeals.

As a consequence of the need to set aside business rate income in a backdated appeals provision the Council has been on the safety net from 2014/15 to 2017/18. The safety net has protected the Council's income from falling more than 7½%. The substantial reduction in business rates associated with the successful backdated appeals means it would be difficult for the Council to come off the safety net.

The localisation of council tax support results in local authorities carrying the risk of an increase in these costs. In 2018/19, the Council's costs associated with the localisation of council tax support are in line with its budget assumptions. The financial impact was assumed to increase as more people become entitled to the discount or as people receiving the discount reach retirement age, when they are protected from the scheme. The additional revenue support grant to compensate for the reduced council tax subsidy for localisation of council tax support has been eroded as RSG was phased out by 2018/19.

The Council achieved its savings targets in 2018/19 following further reductions in staff numbers and some staff reducing their working hours and buying additional annual leave; efficiencies from shared services; and increasing fees and charges.

In 2018/19, the Council increased the council tax in order to protect the value of its baseline funding, which will benefit Dorset Council in the medium term. It increased the council tax by the maximum allowable without triggering a referendum, which was £5, the equivalent of a 2.9% increase.

## Statement of Accounts 2018/19 – Narrative Report

As a result of the financial decisions taken by the Council, it was well placed to continue to meet the austerity targets set by the Government until 2022/23. The Council has adequate balances which will benefit Dorset Council when they are transferred to it at the end of 2018/19.

The Council has not produced a Financial Strategy as it was abolished on 31 March 2019.

### The Core Financial Statements

Before looking at each of the Core Financial Statements, the following Expenditure and Funding Analysis summarises how the Comprehensive Income and Expenditure Statement is adjusted in the Movement in Reserves Statement to arrive at the overall movement in the General Fund balance. The table shows how the sums chargeable to the General Fund of £3.219m are adjusted by accounting transactions totalling £1.613m, such as the addition of depreciation, to arrive at the deficit on the provision of services of £1.106m, shown in the Comprehensive Income and Expenditure Statement, which complies with International Financial Reporting Standards (IFRS).

	<b>2018/19</b>		
	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure Comprehensive Income & Expenditure Statement
Departments	£000's	£000's	£000's
Chief Executive's	1,399	5	1,404
Planning and Community Services	2,010	(288)	1,722
Public Health and Housing Services	2,800	(71)	2,729
Resources	(1,426)	2,889	1,463
Non-Distributed Costs	588	0	588
<b>Net cost of services</b>	<b>5,371</b>	<b>2,535</b>	<b>7,906</b>
Other Income and Expenditure	(5,878)	(474)	(6,352)
<b>(Surplus)/deficit on provision of services</b>	<b>(507)</b>	<b>2,061</b>	<b>1,554</b>
<b>Opening General Fund balance</b>	3,199		
Surplus / (Deficit) on the General Fund Balance	507		
Net transfers to/from reserves	(487)		
<b>Closing General Fund balance</b>	<b>3,219</b>		

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the IFRS, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations.

The Statement of Accounts compares the Council's performance against that of the previous year; however, the key performance measure is against the approved budget. The first section of the Statement shows the net cost of services was £7.458m. When compared to the revised budget the Council made a deficit of £0.106m, as shown below:

## Statement of Accounts 2018/19 – Narrative Report

2017/18		Budget	2018/19	
Actual		£m	Actual	Variance
£m	Departments	£m	£m	£m
	1.01 Chief Executive's	1.63	1.40	0.23
	3.23 Planning Services	1.72	1.72	0.00
	2.10 Public Health and Housing	2.64	2.73	(0.09)
	1.03 Resources	1.81	2.06	(0.25)
	7.37	<b>7.80</b>	<b>7.91</b>	<b>(0.11)</b>

The revised revenue budget of £7.80m, is £1.90m higher than the original budget of £5.90m for the year. The main reason for this increase is £0.83m of supplementary estimates that were approved during 2018/19. There were also virements of £0.84m in respect of pension costs and capital, which are reversed after the net cost of services, and there were also brought forward budgets of £0.23m. Financial performance is monitored by management and discussed with the Council's Audit and Governance Committee on a quarterly basis.

There are a number of underspent budgets, funded from reserves, totalling £0.33m, which will be carried forward into 2019/20. There were also unspent grants of £0.13m and unspent maintenance budgets of £0.12m, shown in Public Health and Housing, which are transferred into reserves to be spent in future years.

The table below shows the second half of the Statement, with a net deficit on the provision of services of £0.11m. It compares this to the budget and shows that the Council made a net surplus £1.7m.

The table below starts with the variance against budget at net cost of services which is explained above. The variance in other operating expenditure of £0.73m largely relates to the receipt of preserved right-to-buy capital receipts of £0.37m in respect of the Council's share of the income from the sale of former council houses. The variance at taxation and non-specific grant income relates to the receipts from Community Infrastructure Levy of £0.76m.

2017/18		2018/19		
Actual	Comprehensive Income and Expenditure Statement	Revised Estimate	Actual	Variance
£m		£m	£m	£m
7.37	<b>Net cost of services</b>	7.80	7.91	(0.11)
0.88	Other operating expenditure	1.60	0.87	0.73
0.47	Financing and investment income and expenditure	0.40	0.33	0.07
(7.92)	Taxation and non-specific grant income	(6.54)	(7.55)	1.01
0.80	<b>Net (surplus) / deficit on provision of services</b>	<b>3.26</b>	<b>1.56</b>	<b>1.70</b>

### • Movement in Reserves Statement

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. The deficit on the provision of services of £1.11m is adjusted in this statement to show the surplus or deficit in respect of the sums charged to the General Fund for council tax setting purposes. The deficit on the General Fund is shown before transfers to, or from, reserves.

## Statement of Accounts 2018/19 – Narrative Report

This Statement shows the Council made a surplus before transfers to / from reserves of £0.50m.

Actual £m	<b>Movement in Reserves Statement</b>	<b>Revised Estimate £m</b>	<b>Actual £m</b>
0.80	<b>Net (surplus) / deficit on provision of services</b>	<b>3.26</b>	<b>1.56</b>
1.97	Adjustments between accounting basis and funding basis under regulations	(2.07)	(2.06)
2.77	<b>Net (increase) / decrease in the balance before transfers to reserves</b>	<b>1.19</b>	<b>(0.50)</b>

The above table shows that before accounting adjustments the Council made a net deficit of £1.11m but this figure includes a significant number of accounting entries that should not impact on the final General Fund balance. The reversal of the accounting entries totals £2.06m, to arrive at the final net increase in the General Fund of £0.50m.

The table below shows the surplus of £0.50m and the distribution of £0.48m from the General Reserve increasing the balance brought forward. This leaves the balance on the General Fund at 31 March 2019 at £3.22m.

2017/18 £m		2018/19 £m
6.13	<b>Balance at 1 April</b>	3.20
(2.77)	Net increase / (decrease) before transfers to reserves	0.50
(0.16)	Transfer to / (from) the General Reserve	(0.48)
3.20	<b>Balance at 31 March</b>	<b>3.22</b>

The General Fund Balance comprises the following elements:

2017/18 £m		2018/19 £m
0.62	General Fund Balance	1.02
2.07	General Reserve	0.74
0.51	Earmarked Reserves	1.46
3.20	<b>Total General Fund Balance</b>	<b>3.22</b>

The General Fund Balance is in line with the Financial Strategy which requires a minimum of £0.55m to be retained, based on an assessment of financial risk.

### Capital Programme

The Council has a capital budget in the form of the approved Capital Programme; it also has future projects identified in its unapproved Capital Programme. Both programmes cover a period of five years and can be found as part of the budget report approved by Council in February 2018, which can be downloaded from the Council's website at [www.dorsetforyou.com](http://www.dorsetforyou.com).

The cost of capital does not generally impact on the revenue budget until the asset is complete and then it takes the form of depreciation as the assets are consumed in the delivery of

## Statement of Accounts 2018/19 – Narrative Report

services. The Capital Programme is presented by corporate priority and is monitored by management and the Audit and Governance Committee on a quarterly basis.

The Council incurred capital expenditure of £1.85m in 2018/19. The largest projects were:

### **Improving the local economy and infrastructure**

- Westminster Road Depot redevelopment £0.318m
- Prospect Business Park £0.122m
- Purchase of Enterprise Zone Land £0.05m
- Swanage Seafront project £0.05m

### **Meeting the housing needs of local people**

- Property purchase fund £0.540m
- Purchase of 15 Davenport Close £0.175m
- East Boro Housing Trust Grant £0.282m

### **Enhancing local community involvement**

- Corfe Castle Village Hall Grant £0.040m
- Purbeck Sports Centre works £0.047m

### **Efficiency and Customer Satisfaction**

- Norden - Phase 3 works £0.104m.
- IT capital budget £0.056m

## **Treasury Management**

The Council remains debt-free. During 2018/19, the Council has widened its use of money market funds to spread its exposure to individual organisations and improve its return. It has also increased its use of short-term fixed rate investments with banks on its counterparty list and other local authorities.

The Council has one long-term investment of £0.5m in the CCLA Property Fund. The value of the CCLA Property Fund investment has increased to £0.55m by the year-end, in addition to the dividends received. The Council has also invested £1.5m in 2018/19 in a medium-term investment with the CCLA Diversified Income Fund.

The investment approach of previous years has continued and, whilst having diversified the portfolio in-year, it remains relatively low-risk and investment decisions are based on security, liquidity and yield in that order.

### **• Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are funded by its reserves. Usable reserves may be used to provide services, subject to retaining a minimum level of reserves and any statutory limitations on their use, such as only using capital reserves to fund capital expenditure or repay debt. Unusable reserves cannot be used to provide services because they are not backed by cash.

The Balance Sheet shows the Council has a net worth of £0.56m, after meeting a pension scheme deficit of £18m. This is an improvement of £0.44m in the net worth, from the 31 March

## Statement of Accounts 2018/19 – Narrative Report

2018 net worth of £0.12m. This movement is mainly due to a reduction in the pension fund deficit of £0.40m and an increase in long-term assets of £1.5m.

Current assets have decreased by £7m in the year, due to a reduction in short term investments of £2.7m and cash and cash equivalents of £3.7m. Creditors have also decreased by £5.3m; in the main this relates to a refund of business rates following the settlement of an appeal, which was assessed in 2017/18 but not paid until early in 2018/19.

The Pension Fund was subject to a triennial revaluation in March 2017. At 31 March 2019, the value of the Council's assets in the Local Government Pension Scheme increased to £30.57m (£29.74m at 31 March 2018) with the assessment of liabilities increasing from £48.70m at 31 March 2018 to £49.16m at 31 March 2019. As a consequence the pension fund deficit has decreased by £0.40m from £18.97m to £18.57m during 2018/19.

### • Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation, grant income or fees and charges paid by service users. Cash flows from investing activities show the extent to which cash outflows have been made for assets which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities show the extent to which the Council is using the funds of others.

The cash flow statement identifies cash movements only and therefore the analysis in the cash flow notes will not necessarily align with equivalent entries within the rest of the Statement of Accounts, which is based on income and expenditure and therefore includes debtors and creditors at the year-end.

The Statement shows there has been a decrease in cash of £2.8m. This is due to the Collection Fund deficit from business rates being cleared by the reduced distribution of business rates, offset by capital expenditure in the year of £1.9m.

### The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collections from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

The Income and Expenditure Statement shows there is a council tax deficit in the year of £0.26m. This has reduced the surplus brought forward of £0.18m to a deficit of £0.83m, this Council's share of which is £0.02m.

For business rates there is an in-year deficit of £2.54m, which leaves a deficit carried forward of £2.47m, this Council's share of which is £0.98m. The Collection Fund is in deficit because of the significant level of backdated appeals which have been ongoing since 2014/15. The Collection Fund still has a backdated appeals provision of £2.04m, which it is anticipated will be adequate to meet any further backdated appeals.

## **6. Economy, efficiency and effectiveness**

The Council strives to achieve value for money in the delivery of its services and as a consequence has performance and budget management systems that focus on achieving economy, efficiency and effectiveness in the use of resources. The key elements of this are use of the balanced scorecard, risk management-based service planning, performance management including objectives for staff linking to the corporate strategy and robust budget monitoring. These systems have been described in the earlier sections of this report and also in the Governance Statement which forms part of the Statement of Accounts.

The focus on value for money has helped the Council achieve its austerity targets and balance its budgets by improving the efficiency of its services and not by cutting them. It also balanced its 2018/19 budget without the need to resort to the use of reserves to smooth the reduction in funding.

In addition, as part of the audit of 2017/18, the External Auditor (Grant Thornton) concluded that he was satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for that year. The Council's systems, procedures and controls have not changed in any material way and so the Council would expect a similar conclusion from the External Auditor (Deloitte LLP) for 2018/19.

## **7. Local government reorganisation**

The Secretary of State for Housing, Communities and Local Government has agreed to reorganise local government in Dorset, subject to Parliamentary approval. Parliament approved the reorganisation in May 2018.

Purbeck District Council will be abolished on 31 March 2019 and a new unitary council will be created on the 1 April 2019, with the responsibilities of the five district councils and the county council, within their boundaries. Dorset Council will cover the administrative areas of East Dorset, North Dorset, Purbeck, West Dorset and Weymouth & Portland.

All of the assets, liabilities, resources, staff, rights and functions of the predecessor councils will transfer to Dorset Council upon its creation.

Aidan Dunn

Executive Director – Corporate Development, as Chief Finance Officer

## **Responsibility for the Statement of Accounts The Council's Responsibilities**

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers, namely the Chief Finance Officer (Chief Executive), has the responsibility for the administration of those affairs;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts; delegated to the Audit & Governance Committee.

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with The Code.

The Chief Finance Officer has also:

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

### **Chief Finance Officer's Certificate**

I hereby certify that the Statement of Accounts for the year ended 31 March 2019 required by the Accounts and Audit Regulations 2015 are set out on the following pages.

I further certify that the Statement of Accounts give a true and fair view of the financial position of Purbeck District Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Signed: Aidan Dunn

Date:

**Chief Finance Officer**

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I confirm that these accounts were approved by the Audit and Governance Committee:

Signed: Matt Hall

Date:

**Chair of Audit and Governance Committee**

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PURBECK DISTRICT COUNCIL**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion the financial statements of Purbeck District Council ('the Authority'):

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

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 44; and
- the Collection Fund.

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

### **Other information**

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

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

We have nothing to report in respect of these matters.

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

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

#### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Purbeck District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Purbeck District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Purbeck District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

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

**USE OF OUR REPORT**

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

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

Date

**Purbeck District Council**

**Annual Governance Statement**

**2018/19**

**March 2019**

## Statement of Accounts – Annual Governance Statement

### 1. Introduction

- 1.1 The Government has agreed to the reorganisation of local government in Dorset effective from 1 April 2019. From that date Purbeck will form part of a new unitary Dorset Council, together with the geographical areas covered by the district councils of East Dorset, North Dorset and West Dorset and Weymouth and Portland Borough Council.
- 1.2 Purbeck District Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has adopted a Local Code of Corporate Governance which is incorporated into the Council's Constitution. The Code is based on the CIPFA / SOLACE framework of "Delivering Good Governance" which is based on the International Framework: Good Governance in the Public Sector. For the purpose of the Annual Governance Statement, the definition of governance is as stated within the Framework of the International Federation of Accountants:

*"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved".*

### 2. Purpose of the Annual Governance Statement

- 2.1 The Governance Framework comprises the Local Code of Corporate Governance, including the control environment and the system of internal control at the Council. The Annual Governance Statement explains the Council's governance arrangements and how the controls it has in place manage the risks of failure in delivering its intended outcomes. It also provides an assessment of the effectiveness of the Council's governance arrangements. It reports on the outcome of the annual review of the effectiveness of the system of internal control, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015.
- 2.2 The Annual Governance Statement must be considered with the Financial Statements because it provides assurance concerning the system of internal control, which affects the accuracy and completeness of accounting entries. Consequently the Annual Governance Statement remains a "live" document until the Financial Statements are presented for adoption by the new Dorset Council in July 2019.

### 3. The purpose of the governance framework

The aim of the governance framework is to encourage better service delivery and improve accountability by establishing a benchmark for aspects of good governance in the public sector. It should be useful for all those associated with governance including Councillors, senior managers and auditors. It also provides a resource for the public to challenge substandard governance.

## Statement of Accounts – Annual Governance Statement

### 4. The governance framework

4.1 Governance comprises the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure organisations achieve their intended outcomes while acting in the public interest at all times.

4.2 Acting in the public interest requires adherence to two overarching principles:

- Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement.

4.3 In addition to the overarching requirements for acting in the public interest, achieving good governance in the public sector requires effective arrangements for:

- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of intended outcomes;
- Developing the organisation's capacity including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practice in transparency, reporting and audit to deliver effective accountability.

4.4 The key features of the governance framework are set out in the following paragraphs, following the structure of the principles and the Local Code of Corporate Governance.

### 5. Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law

5.1 The Council has developed codes of conduct which define standards of behaviour for Councillors and staff, including conflict of interest.

5.2 The Monitoring Officer provides Councillors with training in Code of Conduct matters when they are first elected and when amendments to the Code of Conduct are introduced, or a need for further training is identified, as well as ongoing support. In addition, the agenda of every Committee and Council meeting includes a standard item for declarations of disclosable pecuniary interests.

5.3 Officers are also given training in matters relating to the Officer Code of Conduct and declaring interests. Their understanding of the Council's Constitution is reinforced through updates in the monthly core brief.

## Statement of Accounts – Annual Governance Statement

- 5.4 The Council has always had a robust approach to anti-fraud and corruption and has adopted the Counter Fraud Code of Practice and has reviewed its response to the Bribery Act 2010. It also has a well-established whistle-blowing policy, which provides the opportunity for members of the public and staff to raise issues when they believe appropriate standards have not been met by Councillors or officers. Staff are periodically reminded of the importance of the whistle-blowing policy through monthly briefings and staff meetings hosted by the Chief Executive.
- 5.5 The Council ensures it complies with all aspects of the law by ensuring the Solicitor to the Council attends Council and Management Team meetings to provide legal advice, especially on new initiatives and policies.
- 5.6 The Council also ensures it complies with its internal policies and procedures and that expenditure is lawful, through the completion of a risk-based internal audit plan; a performance monitoring system that tracks progress against recommendations; and together with the internal control framework which includes segregation of duties, robust budget monitoring and performance management.

### **6. Ensuring openness and comprehensive stakeholder engagement**

- 6.1 The Council has an open and transparent approach, complying with all aspects of access to information. All Council and Committee meetings are held in public with minimal use of confidential reports. Following the implementation of the Openness of Local Government Bodies Regulations 2014, the Council allows members of the public to record and report Council and Committee meetings.
- 6.2 The Council is keen to communicate with local people and uses a variety of communication channels to achieve this. It has an up-to-date communication strategy, with a clear approach to its use of social media; publishes a variety of information on its website; undertakes public consultation in a variety of ways; has a public participation session at the start of all Council and Committee meetings; has a periodic publication “About Purbeck”, delivered to every household; and encourages self-service for customers but also supports face-to-face communications for those who are unable to use other means.

The Council normally produces a short annual report with summary financial information, which is published in “About Purbeck” to enable local people to understand the role of the Council and judge its effectiveness. However, as the Council ceases to exist and is replaced by Dorset Council on 1 April 2019, About Purbeck will no longer be produced and it is unlikely that the new Council will be publishing similar data about its predecessor councils.

### **7. Defining outcomes in terms of sustainable economic, social and environmental benefits**

- 7.1 The Council’s values are trust, efficiency and empathy with our customers. The Council’s Service Standards have been reviewed and refreshed to take into account what customers have told us is important to them and are available in hard copy and on the website.

## Statement of Accounts – Annual Governance Statement

- 7.2 The Council's Corporate Strategy translates its vision for Purbeck into corporate priorities which are the intended outcomes for local residents and service users, taking account of community aspirations. It has been reviewed regularly, taking account of feedback through public satisfaction surveys and the views of stakeholders. The Strategy has been designed to fit a single sheet of A4 paper to make it: easy to read and remember; accessible for the public, staff and Councillors; focused on targeted outcomes that are achievable; can be displayed in meeting rooms, offices and reception; and easily read or downloaded from the website.
- 7.3 To ensure delivery of the Corporate Strategy, it is supported by the Capital Strategy Financial Strategy, risk-based Service Action Plans and individual objectives agreed via the officer appraisal process. These include targets and, where appropriate, service standards against which service quality and improvements are judged. Where significant Council services such as waste collection and revenues and benefits are delivered in partnership, the service plans of those partnerships are driven by Boards, which include councillor representation. This ensures the plans are aimed at delivering intended outcomes for local people. In addition, the Council has been able to influence important countywide boards dealing with Health and Wellbeing, Safeguarding and Crime and Disorder through the attendance of Councillors and staff, as appropriate.
- 7.4 The Council has not updated its Capital Strategy in line with the new guidance because the guidance is effective from 1 April 2019, after the Council ceases to exist and the Capital Strategy needs to be that of Dorset Council.
- 7.5 The Council has a formal complaints procedure, which requires complaints to be answered by the service, in the first instance. Where the complainant is not satisfied by the response the complaints are escalated to the Chief Executive. Eventually, complaints can be escalated to the Local Government Ombudsman.
- 8. Determining the interventions necessary to optimise the achievement of the intended outcomes**
- 8.1 To ensure that decisions are focused on delivering the Council's vision through its corporate priorities all Council and Policy Group reports define the impact of proposals by reference to the Council's corporate priorities. These feed through to the service plans of each of the departments and the objectives of each individual member of staff.
- 8.2 To ensure projects are clearly aimed at delivering corporate priorities and are delivered effectively the Council has developed a Project Management Handbook. The Handbook has been subject to a light touch review, recognising it is unlikely to be used from April 2019.
- 8.3 The Council is committed to providing value-for-money to its residents and customers. It has developed guidance for officers and Councillors in the review of the Council's services. These reviews are undertaken where a service has been identified as potentially high cost and/or performing poorly. Training has been provided for Councillors and officers in the use of the guidance.

## Statement of Accounts – Annual Governance Statement

- 9. Developing the Council's capacity, including the capability of its leadership and the individuals within it**
- 9.1 The Council's staff are its most important resource and the Council is committed to developing its workforce. The Council undertakes workforce planning to match its existing workforce with any expected changes in roles and skills. A revised Workforce Development Plan has been agreed by the Council's Management Team. It addresses the new requirements associated with apprenticeships and the structural reorganisation of local government in Dorset.
- 9.2 Councillors and officers have agreed job descriptions to guide their roles, which are kept up to date. The roles of Councillors are set out in the Constitution, which is available on the Council's website so that local people are able to understand their roles. The job descriptions of staff are periodically reviewed as part of the annual appraisal process. They are also being reviewed in preparation for the transfer of the staff to the new unitary Dorset Council.
- 9.3 The Chief Executive, as the Head of Paid Service, keeps the Council's establishment of posts under review to ensure austerity targets are met whilst retaining the capacity to deliver Council services.
- 9.4 The statutory role of Monitoring Officer is assigned to the Council's Solicitor. He is very experienced in all aspects of the role having performed the role at other councils in the past. He attends Council and Management Team meetings so that he has a keen grip on the issues facing the Council and is able to provide advice to ensure the Council does not breach regulations or legislation.
- 9.5 The statutory role of Chief Finance Officer provides further assurance that decisions, actions and transactions are in line with approved budgets and procedures, ensuring proper stewardship of public funds. In particular, the financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Chief Finance Officer is supported by a clear set of financial procedure rules which stress the importance of strong financial management and internal control.
- 9.6 The Internal Audit Partnership Manager has regular meetings with the Chief Finance Officer and his Deputy to ensure audit findings are addressed quickly and to ensure audit activity is targeted on new and emerging risks to the organisation.
- 9.7 The training needs of individual officers are identified through appraisal and review processes. Training is made available to ensure individuals are able to undertake their present roles effectively and ensure they have the opportunity to develop to meet their ambitions and the Council's future needs, including development for senior and strategic roles. The Council has continued its commitment to general management training by supporting various officers on management courses. In addition, General Managers and HR staff attend Employment Law updates. The current emphasis of the corporate training programme is to prepare staff for their transfer to the new Dorset Council. This includes training in job application and interview techniques, change management and leadership.

## Statement of Accounts – Annual Governance Statement

- 9.8 The Council provides training for Councillors, which reflects both general needs and specific training as required, such as changes in the legislative framework for the Council's services. In addition, the Council is committed to developing the leadership skills of Councillors and several have completed the Local Government Association's Leadership Programme.
- 9.9 The Council first achieved Investors in People (IiP) in 2008 and it continues to meet the IiP standard. In 2017, the Council was reassessed and the report was positive in all respects and acknowledged the challenges that the Council has had to deal with, and now faces, including local government reorganisation. Furthermore, the Council's Revenues and Benefits Partnership achieved IiP status some years ago and at its latest assessment achieved the silver standard.
- 9.10 The Council understands the importance of partnership working. Guidance on best practice in partnership governance has been prepared and is available in the form of a Partnership Toolkit. The implementation of the toolkit resulted in the Council reviewing its involvement in all of its partnerships and the consequent withdrawal from those that were not considered to be effective. The Partnership's Register and Toolkit were reviewed in 2017.
- 10. Managing risks and performance through robust internal control and strong public financial management**
- 10.1 Councillor scrutiny is undertaken, primarily, by the Council and the Audit and Governance Committee. The role of the Council in scrutiny involves the potential call-in of decisions and activities undertaken by the Council. The Audit and Governance Committee performs the core functions of an audit committee, as set out by CIPFA. It is concerned with the scrutiny of performance against objectives and financial performance, together with the oversight of internal and external audit activity and the review of significant audit findings. The Audit and Governance Committee also has responsibility for the oversight of the Council's arrangements for risk management, because of its close links to the Council's approach to service plans, performance management and audit activity.
- 10.2 Quarterly reporting of performance to all Councillors takes place via the Balanced Scorecard contained in the Performance Bulletin. This Bulletin is also submitted to the Audit and Governance Committee for discussion and scrutiny. The Audit and Governance Committee is able to review the detailed budgets and the Council determines the strategy for the preparation of the annual budget. In-year quarterly reports on performance against revenue and capital budgets and treasury management are submitted to the Council's Audit and Governance Committee. An annual report analysing complaints to the Ombudsman and their resolution is also presented to the Committee.
- 10.3 The Council has developed its approach to service planning by ensuring it is supported by service risk registers. This puts risk management at the heart of the Council's approach to service plans.

## Statement of Accounts – Annual Governance Statement

- 10.4 The annual internal audit plan is based on a risk assessment including an assessment of the risk of fraud. Audit activity in each year includes a review of those functions of the Council which may be more susceptible to fraud. The arrangements are always found to be strong.
- 11 Implementing good practices in transparency, reporting and audit to deliver effective accountability**
- 11.1 Internal Audit has a key role to play in the governance framework, delivering an independent review of the effectiveness of the system of internal control. The in-house audit team has been managed through a partnership arrangement with New Forest District Council. This has the advantage of increasing the independence of internal audit whilst minimising its cost. From 1 April 2018, this management arrangement transferred to the Southern Internal Audit Partnership.
- 11.2 The role of Head of Internal Audit meets the CIPFA standards and the Audit and Governance Committee receives an annual report on compliance with various internal audit standards.
- 11.3 In 2018/19, Internal Audit completed the audit plan, as usual, and made many recommendations designed to improve the system of internal control. Generally, these recommendations addressed areas of low risk. Their implementation is monitored using the Council's performance management system. One high risk recommendation was made concerning access control and security over the public health complaints system. This has been rectified following the audit.
- 11.4 Following the 2017/18 external audit of the Council, the external auditors, as usual, were complimentary about the level of help and support provided by the Council's staff and the quality of the working papers made available.
- 12 Review of effectiveness**
- 12.1 Purbeck District Council reviews the effectiveness of its local code and governance framework including the system of internal control, and the key elements identified in the CIPFA Solace "Delivering Good Governance" annually. The review of effectiveness is informed by members of the Management Team who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report and by comments made by the external auditors.
- 12.2 The Council is responsible for setting the Local Code of Corporate Governance, and for keeping it up to date. The Audit and Governance Committee is responsible for ensuring the Chief Executive has overseen compliance.
- 12.3 The Chief Executive is responsible for:-
- (a) overseeing compliance with the Local Code of Corporate Governance and its seven principles.
  - (b) discussing with Management Team, compliance with the Local Code and any changes that may be necessary to improve compliance.

## Statement of Accounts – Annual Governance Statement

- 12.4 The review of compliance with the governance framework has involved:
- (a) Review by lead officers of the latest position concerning complaints.
  - (b) Review of the overall assessment of internal control by the Chief Finance Officer and Deputy.
  - (c) Assurance from the Monitoring Officer and Deputy that the Council has complied with legislation and with compliance with Codes of Conduct.
  - (d) Assurance from the Head of Internal Audit based on the audit team's work during the year.
  - (e) Assurance from the HR Manager on compliance with the Council's policies and procedures for managing people.
  - (f) Assurance from the IT Manager on compliance with the Council's IT policies for the Public Service Network.
  - (g) Review of the draft Annual Governance Statement by the Management Team.

### 13 Significant governance issues identified in the 2017/18 Statement

The only significant governance issue affecting the Council is the risks associated with local government reorganisation. These risks focus on the possibility of:

- a) Senior management and Councillor attention being distracted from the governance of the Council by focusing on the preparations for the new unitary Dorset Council;
- b) The disruption of Council services and the loss of corporate memory by the loss of experienced staff who decide to secure their future employment elsewhere.

These risks did not cause any concerns during 2017/18. They were kept under review during 2018/19 to ensure they continued to be managed well and no specific areas of continuing concern have been identified.

### 14 Significant governance issues identified in the 2018/19 Statement

There are none.

### 15 Opinion

- 15.1 Reliance can be placed on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 15.2 Furthermore, the Local Government Association undertook a Peer Challenge of the Council in March 2016. This concluded the Council is proactive in striving to achieve a balance between the environment and development; and it has a clear vision and priorities based on a good understanding of the local area and communities.

## Statement of Accounts – Annual Governance Statement

15.3 The Peer Challenge report also concluded the Council is managed in a business-like and prudent manner with an open leadership style. There is proactive management of the Council's finances, with savings targets being met. It also found the Council is well regarded by its local partners.

### 16 Future

Purbeck District Council ceases to exist as an organisation on 1 April 2019, the issues identified above in 2018/19 have been addressed. The Governance Statement is being reviewed and signed off now to give the existing councillors and officers the opportunity to undertake the necessary reviews whilst they are all still in place and to provide Dorset Council with greater assurance when it needs to sign the statement for inclusion with Purbeck District Council's Statement of Accounts in July 2019.

**Signed:** Cllr Mike Wiggins  
**Chair of Audit and Governance Committee**

**Dated:** 26 March 2019

**Signed:** Mr Steven Mackenzie  
**Chief Executive**

**Dated:** 26 March 2019

# **Purbeck District Council**

## **Statement of Accounts 2018/19**

### **Section 1 Core Financial Statements**



## Statement of Accounts 2018/19 Core Financial Statements

**Introduction** - The Council's Core Financial Statement comprise the following documents:

### **Comprehensive Income and Expenditure Statement**

This shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, the taxation position is shown in the Movement in Reserves Statement.

### **Movement in Reserves Statement**

This shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. The Comprehensive Income and Expenditure Statement's accounting surplus or deficit, is adjusted in this statement to show the surplus or deficit in respect of the sums charged to the General Fund, and the General Fund balance, for council tax setting purposes. Full details of reserves are shown in **Note 39**.

### **Balance Sheet**

This shows the value of the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are funded by its reserves. Usable reserves may be used to provide services, subject to retaining a minimum level of reserves and any statutory limitations on their use, such as only using capital reserves to fund capital expenditure or repay debt. Unusable reserves cannot be used to provide services because they are not backed by cash.

### **Cash Flow Statement**

This shows the changes in cash and cash equivalents held by the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation, grant income or fees and charges paid by service users. Cash flows from investing activities show the extent to which cash outflows have been made for assets which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities show the extent to which the Council is using the funds of others.

Statement of Accounts 2018/19  
Core Financial Statements

**Comprehensive Income and Expenditure Statement**

2017/18				2018/19			Notes
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000	
1,213	(201)	1,012	Chief Executive	1,501	(97)	1,404	
4,303	(1,072)	3,231	Planning and Community Services	3,027	(1,305)	1,722	
4,532	(2,431)	2,101	Public Health and Housing Services	5,262	(2,533)	2,729	
14,839	(13,885)	954	Resources	13,630	(12,167)	1,463	
72	0	72	Non-distributed costs	588	0	588	
24,959	(17,589)	7,370	<b>Net Cost of Services</b>	24,008	(16,102)	7,906	9-16
1,625	(744)	881	Other operating expenditure	1,698	(829)	869	17
543	(69)	474	Financing and Investment Income and Expenditure	474	(145)	329	18
0	(7,925)	(7,925)	Taxation and Non-Specific Grant Income	0	(7,550)	(7,550)	19,20
27,127	(26,327)	800	<b>Net (Surplus) or Deficit on Provision of Services</b>	26,180	(24,626)	1,554	16
(2,428)	0	(2,428)	Re-measurement of net pension scheme liability	(1,625)	0	(1,625)	38
(17)	0	(17)	(Surplus) / deficit on revaluation of available-for-sale financial assets	(8)	0	(8)	
(2,752)	0	(2,752)	Surplus on Revaluation of Non-Current Assets	(72)	0	(72)	
(5,197)	0	(5,197)	<b>Other Comprehensive (Income) and Expenditure</b>	(1,705)	0	(1,705)	
21,930	(26,327)	(4,397)	<b>Total Comprehensive (Income) and Expenditure</b>	24,475	(24,626)	(151)	

Statement of Accounts 2018/19  
Core Financial Statements

**Movement in Reserves Statement**

2017/18				2018/19						Notes
Usable Reserves	Unusable Reserves	Total Reserves		General Fund	Capital Receipts Reserve	Capital & CIL Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	
£000	£000	£000		£000	£000	£000	£000	£000	£000	
8,796	(13,069)	(4,273)	<b>Balance at 31 March</b>	3,199	1,763	794	5,756	(5,632)	124	21
(800)	5,197	4,397	Total Comprehensive Income & Expenditure	(1,554)	0	0	(1,554)	1,705	151	
(2,080)	2,080	0	Adjustments between accounting basis & funding basis under regulations	1,330	(40)	703	1,993	(1,993)	0	
(2,880)	7,277	4,397	Net Increase / (Decrease) before Transfers to Reserves	(224)	(40)	703	439	(288)	151	
(160)	160	0	Transfers to/(from) balances and reserves	244	0	0	244	39	283	
(3,040)	7,437	4,397	<b>Increase / (Decrease) movement in Year</b>	20	(40)	703	683	(249)	434	
5,756	(5,632)	124	<b>Balance at 31 March</b>	3,219	1,723	1,497	6,439	(5,881)	558	
			Notes	39	39	39		40		

Statement of Accounts 2018/19  
Core Financial Statements

**Balance Sheet**

As at 31 March 2018 £000's		As at 31 March 2019 £000's	Notes
	<b>Property, Plant and Equipment</b>		
8,821	Operational Land & Buildings	9,490	
185	Operational Surplus Assets	180	
139	Vehicles, Plant & Equipment	177	
15	Community Assets	15	
3,637	Infrastructure Assets	3,419	
12,797		<b>13,281</b>	23
	<b>Other Long-term Assets</b>		
135	Intangible Assets	97	26
538	Long-term Investments	2,046	27&28
241	Long-term Debtors	232	29
13,711	<b>Long-term Assets</b>	<b>15,656</b>	
	<b>Current Assets</b>		
5,000	Short-term Investments	2,280	30
3	Inventories	4	31
0	Assets Held for Sale	0	32
4,126	Short-term Debtors	3,588	33
3,819	Cash and Cash Equivalents	153	34
12,948		<b>6,025</b>	
(6,996)	<b>Current Liabilities - Creditors</b>	(1,711)	35
19,663	<b>Assets less Current Liabilities</b>	<b>19,970</b>	
	<b>Long-term Liabilities</b>		
(563)	Provisions	(833)	36
(11)	Other long-term Liabilities	(13)	37
(18,965)	Pensions Liability	(18,566)	38
(19,539)		<b>(19,412)</b>	
124	<b>Net Assets</b>	<b>558</b>	

Statement of Accounts 2018/19  
Core Financial Statements

**Balance Sheet – continued**

As at 31 March 2018 £000's		As at 31 March 2019 £000's	Notes
	<b>Usable Reserves</b>		
3,199	General Fund	3,219	39 a-d
109	Capital Grants Unapplied	51	39 e
1,763	Capital Receipts Reserve	1,723	39 f
685	Community Infrastructure Levy Reserve	1,446	39 g
5,756		<b>6,439</b>	
	<b>Unusable Reserves</b>		
(46)	Accumulated Absences Account	(42)	40 a
38	Available for Sale Financial Instrument Reserve	46	40 b
9,345	Capital Adjustment Account	9,765	40 c
26	Council Tax Adjustment Account	26	40 d
156	NNDR Adjustment Account	(949)	40 e
(18,965)	Pensions Reserve	(18,566)	40 f
3,814	Revaluation Reserve	3,839	40 g
(5,632)		<b>(5,881)</b>	
124	<b>Total Reserves</b>	<b>558</b>	

I certify that these accounts were approved by the Audit and Governance Committee.

**Signed: Aidan Dunn**

**Date: 26 July 2019**

**Chief Finance Officer  
Dorset Council**

Statement of Accounts 2018/19  
Core Financial Statements

**Cash Flow Statement**

2017/18 £000		2018/19 £000	Notes
(800)	Net surplus or (deficit) on the provision of services	(1,554)	
3,724	Adjustment to surplus or deficit on the provision of services for non cash movements	36	42
(2,303)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,755)	42
621	<b>Net Cash flows from operating activities</b>	<b>(3,273)</b>	42
(3,899)	Net Cash flows from Investing Activities	2,866	44
4,164	Net Cash flows from Financing Activities	(3,259)	44
886	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(3,666)</b>	
2,933	Cash and cash equivalents at the beginning of the reporting period	3,819	
3,819	Cash and cash equivalents at the end of the reporting period	153	
886	<b>Increase/(decrease) in cash</b>	<b>(3,666)</b>	

# **Purbeck District Council**

## **Statement of Accounts 2018/19**

### **Section 2**

#### **Notes to the Core Financial Statements**



## General Notes

### Note 1. Accounting Standards issued but not yet adopted

The Council is required to disclose information relating to the impact of changes in accounting practice on the financial statements that will occur as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The following standards have been issued but not yet adopted:

- Amendments to IAS 40 Investment Property: Transfer of Investment Property
- Annual improvements to IFRS Standards 2014-16 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The above are not relevant to this Council and will have no impact on the accounts.

### Note 2. Accounting Policies

#### General Principles

The annual Statement of Accounts, which is a summary of the Council's transactions for the financial year 2018/19, and its financial position at 31 March 2019, is prepared in accordance with the Accounts and Audit Regulations 2015, and proper accounting practices. These practices primarily comprise the Code, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

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

The accounts have been prepared on a 'going concern' basis, even though the Council has given its consent to the reorganisation of local government in Dorset, which took place on 1 April 2019. This consent has been given as a recognition by the Council that the change would be imposed on the Council because other councils in Dorset, most notably the upper tier councils are struggling to address the austerity requirements imposed on them by the increasing demand for social care at a time of reducing resources. The going concern status acknowledges that on the abolition on 31 March 2019 the Council's assets, liabilities, resources, staff, rights and functions transfer to Dorset Council and so its services will continue to be provided.

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

**Policy 1. Accounting Estimates**

Prior period adjustments are not required if there are changes in accounting estimates but they are accounted for in the current and future years affected by the change.

There are no changes in the basis of accounting estimate.

**Policy 2. Accounting Policy Changes**

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

There are no changes to existing policies other than those required by the Code.

**Policy 3. Accruals of Income and Expenditure**

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

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of the transaction completed and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on the Council's fixed-term, fixed-rate investments is accrued on the basis determined by the contract for the relevant financial instrument and not the effective interest rate.

In addition, the Council accrues for potential non-payment of debts in the form of impairment allowances which are charged to revenue. When a debt is written off it is charged to the impairment allowance. The value of impairment allowances is reviewed annually.

**Policy 4. Business Rate Appeals (Collection Fund)**

From 1 April 2013, the Government introduced a new business rates retention scheme. This scheme transferred the risks associated with collecting business rates from the Government to being shared with local government. As the billing authority for the area,

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

this Council administers the scheme. Risks and rewards are now shared equally between the Government and local authorities. In this area the shares are: Government 50%, Purbeck District Council 40%, Dorset County Council 9% and Dorset and Wiltshire Fire and Rescue Authority 1%.

Previously, the risk of successful valuation appeals was borne nationally. From 1 April 2013, the cost of successful valuation appeals is shared on the above basis. This includes any backdated appeals, which in some cases went back to 2005. The former national business rate pool was closed at the end of 2012/13 without any transitional period.

It is intrinsically difficult to assess the potential liability resulting from outstanding appeals but the Council has adopted the following methodology to calculate the value of the appeals provision, which is undertaken for each appeal and then aggregated. The rateable value is multiplied by the number of years since the effective date of the appeal. This figure is then multiplied by the NNDR multiplier applicable to the year to which the accounts relate. Finally, based on the grounds for appeal, the answer is multiplied by an estimated probability of success and hence reduction in rateable value. This methodology is overlaid with individual assessments of risk for properties with very large rateable values or appeals outstanding.

The backdated appeals provision at the start of the year was £1.4m. The full provision was used against refunds during the year; following a reassessment the provision has been increased by £2.0m.

**Policy 5. Cash and Cash Equivalents**

Cash is not only cash in hand but also deposits with financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. However, bank overdrafts do not form an integral part of the Council's cash flow management and the Council did not have an overdraft at 31 March 2019.

**Policy 6. Contingent Assets and Liabilities**

a) Contingent Assets

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

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

b) Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts - see **Note 6** to the Core Financial Statements.

## **Policy 7. Employee Benefits**

### a) Benefits Payable During Employment

Short-term employee benefits for current employees are those due to be settled within 12 months of the year-end and include: salaries and wages; paid annual leave; paid sick leave; and non-monetary benefits. Holiday entitlements earned by employees but not taken before the year-end can be carried forward into the next financial year, therefore an estimated accrual is made for the value of this leave at the pay rates applicable at the Balance Sheet date. So that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs the accrual is charged to the relevant service but then reversed out through the Movement in Reserves Statement.

### b) Exit Packages

Termination benefits are amounts payable either because of a Council decision to terminate an officer's employment before normal retirement date, or because of an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement. There were five exit packages in the financial year 2018/19, see **Note 11**.

### c) Discretionary Benefits

The Council also has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. No discretionary awards were made during 2018/19.

### d) Post-employment Benefits

Council employees are members of the Local Government Pension Scheme, which is a defined benefits scheme administered by Dorset County Council.

The liabilities of the Dorset County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, as required under International Accounting Standard (IAS19). This involves an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projected earnings for current employees.

The Fund Actuary has discounted liabilities taking into account the estimated employer's past service liability duration of 18 years and used a Single Equivalent Discount Rate. The net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve. This is consistent with the approach used at the previous accounting date.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

The Council's pension liability is shown in the Balance Sheet, net of current fair value of its assets in the Dorset County Council Pension Fund. Changes in the net pension liability are explained in **Note 38**.

Actuarial gains and losses are posted to the Pension Reserve as changes in the net pension liability because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated the assumptions.

Statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. The Movement in Reserves Statement includes appropriations to and from the Pensions Reserve to replace notional amounts with the cash paid to the Pension Fund. The negative balance on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Policy 8. Events After the Balance Sheet Date**

Events after the Balance Sheet date are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is signed. Events after this date are not reflected.

There are two relevant types of event prior to the Statement of Accounts being signed:

- Adjusting post Balance Sheet events – are those where the Statement of Accounts is adjusted to reflect conditions that existed at the end of the reporting period.
- Non-adjusting post Balance Sheet events - arise after the reporting period and so the Statement of Accounts is not adjusted even though the event would have a material effect but disclosure is made in the notes of the nature of the events and their estimated financial effect.

There are two post Balance Sheet events for 2018/19:

- Local Government Reorganisation abolishes this Council and creates Dorset Council. This event does not require any accounting adjustments because all of the Council's assets, liabilities, resources, staff, rights and functions transfer to Dorset Council.
- McCloud Pension Liability – In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination. The Government sought permission to appeal this decision to the Supreme Court but was subsequently denied on 27 June 2019. The implications of the ruling are therefore expected to apply to all public sector schemes including the LGPS. The necessary accounting adjustments have been made to reflect the potential impact on the accounts.

### **Policy 9. Financial Instruments**

#### **a) Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost, as Creditors disclosed in Financial

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Instruments **Note 27**. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council is debt-free and so does not have any financial instrument liabilities in respect of debt.

#### b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

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

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Council has chosen not to follow this guidance for its fixed term, fixed rate investments because an adjustment to take account of the effective interest rate would not be material to the Council's accounts.

However, the authority has made a loan to a voluntary organisation at less than market rates (soft loan). This is accounted for in accordance with **Policy 10**.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **Policy 10. Financial Loans**

The Council has 12 outstanding decent homes soft loans, on which no interest is charged, totalling £81k and a £150k interest-free soft loan to a voluntary organisation. The interest foregone is considered immaterial and is not accounted for, see **Note 27**.

#### **Policy 11. Foreign Currency Transactions**

Foreign currencies are converted to sterling on the day of receipt; however, the Council does not normally enter into foreign currency transactions.

## **Policy 12. Government Grants and Contributions**

Whether paid on account, by instalments, or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the conditions attached to the grant or contribution have or will be satisfied; and
- the grants or contributions will be received.

Grants and contributions which are waiting for their conditions to be satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grants or contributions are credited to the relevant service.

Revenue grants that are not ring-fenced and all capital grants are credited to Taxation and Non-Specific Grant Income, in the Comprehensive Income and Expenditure Statement. Capital grants are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used it is transferred to the Capital Grants Unapplied Reserve. When it has been used, it is transferred to the Capital Adjustment Account.

### Unconditional Grants

Where unconditional grants are received they are either transferred to reserves or to the service where they are to be applied. If, however, it has been transferred to the service but the purpose for which the grant has been allocated does not take place during that financial year the balance of unused grant is transferred to reserves and made available the following year to fulfil the identified need.

## **Policy 13. Heritage Assets**

The Council does not have any heritage assets.

## **Policy 14. Intangible Assets**

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

Intangible assets are measured initially at cost. They are only re-valued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criteria, therefore they are carried at amortised cost. Intangible assets are amortised over their useful lives, deemed to be five years, to the relevant service in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses cannot have an

impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10k, the Capital Receipts Reserve.

**Policy 15. Inventories and Long-term Contracts**

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

Long-term contracts, such as the contract for grounds maintenance, are accounted for on the basis of charging the relevant service in the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the financial year.

**Policy 16. Investment Property**

It is not the Council's policy to acquire investment properties; however, if a property is no longer required for operational purpose, it may be reclassified as an investment property. There are no investment properties in 2018/19, there were none in 2017/18.

**Policy 17. Leases**

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

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

Arrangements that do not have the legal status of a lease but in practice meet the definition of either a finance or operating lease are treated as leases for the purpose of these Accounts.

a) The Council as Lessee:

Finance Leases

The Council undertakes an annual review of its leases and relevant revenue transactions to identify if it has any finance leases embedded or otherwise. The review undertaken for 2018/19 did not identify any such leases.

Operating Leases

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

b) The Council as Lessor:

Finance Leases

The Council has not granted any finance leases.

### Operating Leases

The Council has issued operating leases and the details are shown **Note 14**.

### **Policy 18. Non-Current Asset Charges to Revenue**

Services and support services are charged with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not allowed to raise council tax to fund depreciation, revaluation and impairment losses or amortisations, these are therefore transferred in the Movement in Reserves Statement to the Capital Adjustment Account.

### **Policy 19. Overheads and Support Service Charges**

The cost of overheads and support services is charged to frontline services that benefit from the supply or service. Total absorption costing is used whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

### **Policy 20. Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment. There were no prior period adjustments in 2018/19 or 2017/18.

### **Policy 21. Prior Period Errors**

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were no prior period errors in 2018/19 or 2017/18.

## **Policy 22. Property, Plant and Equipment**

### a) Recognition

Only capital assets are covered by this policy. An asset is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to the Council;
- it has a useful economic life of more than one year; and
- the cost of the item can be measured reliably.

Expenditure that maintains rather than enhances an asset is a revenue expense.

The Council has adopted a de minimis level of £10k for the inclusion of fixed assets on the Balance Sheet, with the exception of any equipment connecting to the Council's I.T. network, where it is the value of the overall network that defines these costs as capital.

### b) Componentisation

Component accounting is the recognition of two or more significant components of an asset for depreciation purposes where the useful life is substantially different, treating each component as if it were a separate asset in its own right. The Council only accounts separately for components where the individual component has a value of £100k or more. Assets are reviewed for componentisation when they are acquired or enhanced.

In 2018/19, there has been no qualifying expenditure resulting in the identification of separate components to the Council's assets, there was none in 2017/18.

### c) Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and to operational condition; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not lead to a variation in the cash flows of the Council. Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- surplus assets measured for their economic benefits at Fair Value under IFRS 13;
- all other assets' current value, determined as the amount that would be paid for the asset in its existing use;
- where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value; and
- where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

d) Increases in Value and Impairments

Assets are included in the Balance Sheet at current value. Guidance suggests that all assets in a class should be revalued within five years. The Council valued all land and property assets in 2017/18, in keeping with this guidance.

The Council only recognises changes to asset values where the revaluations or impairment reviews are in excess of £10k. In the case of land and buildings the movement of £10k applies to the combined value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The Revaluation Reserve only contains revaluation gains recognised since 1 April 2007; gains arising before that date have been consolidated into the Capital Adjustment Account.

e) Depreciation

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Property, Plant and Equipment is depreciated over its remaining useful life. An exception is made for assets without a determinable useful life, such as freehold land and certain Community Assets and assets that are under construction.

Depreciation is calculated as follows:

- dwellings and other buildings – straight-line method over the useful life of the property (5 to 50 years), as estimated by a suitably qualified valuer;
- vehicles, plant and equipment – straight-line method over the useful life of the asset (6 to 9 years) based on cost;
- IT equipment – straight-line method over five years based on cost;
- infrastructure – straight-line method over the useful life of the asset (3 to 23 years, not to exceed 40 years), based on historical costs; and
- newly acquired assets and capital works to an existing asset - a full year's depreciation charge is made in the next full financial year. No depreciation is charged in the year of disposal.

Where components of an asset have been identified, the components will be depreciated separately based on an estimate of the component's useful life, not the life of the main asset to which it relates.

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

f) Non-current Assets Held for Sale

At the Balance Sheet date if it is probable that the carrying amount of an asset will be recovered principally through a sale transaction within a period of 12 months, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale; and their recoverable amount at the date of the decision not to sell.

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

g) Disposal

When an asset is disposed of, or decommissioned (whether Property, Plant and Equipment or Assets Held for Sale), the carrying amount in the Balance Sheet is

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

written off to Other Operating Expenditure as part of the gain or loss on disposal. Receipts from disposals (if any) are also credited to Other Operating Expenditure as part of the gain or loss on disposal by being netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. The balance of receipts is credited to the Capital Receipts Reserve and then only used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **Policy 23. Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Other than general provisions for bad debts the Council has made specific provisions in respect of Municipal Mutual Insurance claims and NNDR Business Rate Appeals within the Collection Fund, see **Note 36**.

### **Policy 24. Reserves and Balances**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the relevant service in that year to count against the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund in the Movement in Reserves Statement so that there is no net charge against the council tax for the expenditure.

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

Some reserves have been earmarked for specific purposes and only relevant costs will be funded from these reserves.

The Council maintains a minimum balance based on a risk assessment but may also hold balances in excess of this figure, details of which are set out in the Financial Strategy. In 2018/19 the minimum risk assessed balance was £400k and the additional funds brought forward were £222k, giving a total of £622k. At year-end the General Fund surplus of £397k was transferred into the balance, which increased the amount carried forward to £1,019k. More information relating to the Council's General Fund balance can be found at **Note 39** – Usable Reserves.

**Policy 25. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as REFCUS expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council meets the cost of this expenditure from existing capital resources or by borrowing, the REFCUS charge is reversed in the Movement in Reserves Statement via the Capital Adjustment Account so that there is no impact on the council tax.

**Policy 26. Trust Funds**

The Council has not followed the CIPFA Code of Guidance (The Code) in the treatment of trust funds, which requires the funds to be recorded outside the Council's accounts. The Council's Chief Finance Officer believes there to be greater transparency and control if trust funds are clearly identified within the Council's accounts, with income and expenditure being recorded through the Comprehensive Income and Expenditure Statement and the value of the trust funds being included in long-term liabilities.

As in 2017/18, the Council had one such trust fund at 31 March 2019, the Timson Trust. It is anticipated that the Trust will be transferred to Langton Matravers Parish Council during 2019/20. Details of the fund are set out in **Note 37**.

**Policy 27. Value Added Tax (VAT)**

VAT payable is excluded from revenue unless it cannot be recovered from Her Majesty's Revenue & Customs, where it rightly becomes a charge on revenue. VAT receivable is excluded from income as it is all due to Her Majesty's Revenue & Customs.

**Note 3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in **Note 2**, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a. There is continuing uncertainty about future levels of funding for local government. However, this uncertainty is not sufficient to require the assets of the Council to be impaired as a result of a need to close facilities or reduce levels of service provision or property maintenance.
- b. The value of the assets and liabilities of the Pension Fund are subject to a high degree of uncertainty. The Council follows the advice of the Fund Actuary in valuing these assets and liabilities.
- c. The value of the business rates backdated appeals provision is subject to a high degree of uncertainty even though the Council's policy seeks to apply a reasoned approach to the assessment.

## Note 4. Material Items of Income and Expense

### Collection Fund – NNDR Backdated Appeals

Since the partial localisation of the business rates scheme the Council's Collection Fund has had a history of having to fund substantial backdated business rates appeals, due to the fact that it has three major businesses in the District, two MoD sites and Wytch Farm Oil Field. More information about these appeals is given in the **Collection Fund - Business Rates Note 8**.

In 2018/19, the Backdated Appeals Provision Brought Forward was £1.368m. During the year the full provision was used against refunds, therefore additional contributions of £2,042k have been made to cover the remaining outstanding appeals.

Further information on the provision is provided at **Policy 4, Note 36** and the **Collection Fund - Business Rates Note 7**.

### Pension Fund

The Balance Sheet shows there has been a decrease in the Pension Fund deficit of £0.399m, reducing to £18.566m. The Pension Fund accounting treatment includes various material transactions, which are analysed in **Note 38**.

## Note 5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives dependent on assumptions about the level of repairs and maintenance that will be incurred. The Council continues, in the current economic climate, to sustain its current spending on repairs and maintenance, thus reducing the likelihood of an adverse impact on the useful lives of its assets.	If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets will fall.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>Operational land and buildings and investment properties are either re-valued every five years or on an ad-hoc basis where there is a significant change related to a specific asset.</p>	<p>If the valuations are found to be incorrect or need to be adjusted due to market fluctuations then, prior to the discovery, the assets on the Council's Balance Sheet will be under- or over-stated.</p> <p>Depreciation is an annual charge in the accounts for consumption of a long-term asset. This reflects an estimate of how long the asset will last and provide service value to the Council. For example the total depreciation charge for the year is £399k. Buildings are being written off over an annual life expectancy of between five and 50 years, varying according to their nature. This creates an annual depreciation charge for buildings of £120k. If it was assumed buildings would last another five years and the annual charge in the accounts reflected this the depreciation charge would decrease from £120k to £95k.</p> <p>If the Council sells an asset the Balance Sheet value may differ from that achieved at point of sale. The gain or loss on disposal will be reflected through the Comprehensive Income and Expenditure Statement.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and undertakes the calculations.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>A 0.1% increase in the adjustment to the discount rate would result in a decrease in the present value of pension scheme liabilities of £848k although the assumptions interact in complex ways, so that a 0.1% decrease in the rate would increase liabilities by £864k.</p> <p>A 0.1% increase in the adjustment to long-term salary increase would increase liabilities by £77k and a</p>

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Item	Uncertainties	Effect if actual results differ from assumptions
		<p>0.1% decrease would decrease liabilities by £77k.</p> <p>A 0.1% increase on the adjustment to pension increases and deferred revaluation would increase liabilities by £786k and a 0.1% decrease would decrease liabilities by £773k.</p> <p>An increase in the life expectancy assumption of one year would increase the present value of pension scheme liabilities by £1,903k, whereas a reduction of one year would decrease liabilities by £1,830k.</p>
Provisions for NNDR backdated appeals	<p>It is intrinsically difficult to assess the potential liability resulting from outstanding appeals. If the results differ, the difference will be shared with the Government and other local authorities, with this Council's share being 40%.</p> <p>At year-end the Council estimates the potential outcome of the outstanding appeals. <b>Policy 4</b> sets out the methodology used to do this but there is considerable uncertainty as to the final outcome of individual cases. Receipt of appeal notifications resulting in substantial backdated refunds trigger a review of the provision and methodology applied to individual cases or groups of cases. The year-end review undertaken in April 2019, assessed the required provision value to be £2.04m.</p>	<p>Based on the £2.04m provision value, a 10% difference in the actual value of future appeals awarded could change this figure by £0.20m. This Council's share of the provision could therefore vary by £0.08m in either direction.</p> <p>If in future it is assessed that some of the provision is not required it will be released back into the Fund and increase the distributions available in that year.</p> <p>Any shortfall in the provision will reduce distributions from the Fund in future years. However, as the Council is on the business rates safety net its business rates income is guaranteed.</p>
Arrears	At 31 March 2019 the Council had outstanding debtors of £3,588k against which there is an impairment allowance of £508k, equalling 14% of total debt. However, if the debts relating to government departments are removed the allowance amounts to 18%.	If collection rates were to deteriorate, the amount of doubtful debts would need to be reviewed to assess if additional monies are required to be set aside as an allowance. An increase in the provision of 1% of outstanding, non-government debt would increase the provision by £28k.

## Note 6. Contingent Liabilities

As in 2017/18, the Council had one contingent liability at 31 March 2019, which is not material:

### Municipal Mutual Insurance Limited (MMI)

Purbeck District Council has a possible obligation that arises from its past involvement and participation in a "Scheme of Arrangement" with Municipal Mutual Insurance Limited, which stopped trading in 1992.

The Board of Directors of MMI "triggered" the "MMI Scheme of Arrangement" on 13 November 2012, from which date a 15% levy notice was issued against existing claim costs. The Council decided to create a provision for the full sum of £22k, of which a total of £6k has been drawn down as at 31<sup>st</sup> March 2017. This leaves a balance of £16k in the provision, which can be found at **Note 36**.

Any future claim costs will be met in the ratio of 75% MMI and 25% this Council, subject to any further Levy notice that may be issued. The value or likelihood of future claims is unknown and therefore a contingent liability is acknowledged.

## Note 7. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers of the Accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in **Note 13**.

### Dorset County Council

The Council has numerous transactions with Dorset County Council but the most significant are:

Dorset Waste Partnership – The Council is part of the Dorset Waste Partnership. This is a rural Dorset-wide partnership of districts, boroughs and the County Council, to benefit from bringing together the collection and disposal responsibilities for waste management in Dorset. The partnership is hosted by Dorset County Council, with

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

member oversight via a Joint Committee comprising two councillor representatives from each authority. This Council's share of the service costs in 2018/19 was £1.3m.

Purbeck Sports Centre – The Council has entered into a 10 year lease agreement with the County Council to manage this dual-use sports centre, which provides sporting facilities to both the community and the Purbeck School. This Council receives income of £0.3m from the County Council for the school use of the Centre and its share of the costs of maintaining its building.

Dorset Innovation Park – The Council has entered into a partnership for the development of the Enterprise Zone. The Council owns 1/6 of the freehold of the site and the County Council owns 5/6. The two councils have equal shares in the development of small industrial units at the Innovation Park.

### **Other Local Authorities**

The Council has numerous transactions with other local authorities. The most significant of these are:

Revenue and Benefits Partnership – The Council works in partnership with West Dorset District Council and Weymouth and Portland Borough Councils to deliver a joint revenues and benefits service. Two Councillors represent the Council's interests on the Revenues and Benefits Partnership Strategic Board but the Board does not have decision-making powers. The total partnership cost in 2018/19 was £2.98m and this Council's share of the total cost is £546k.

Community Infrastructure Levy (CIL) - Payments to towns and parishes. Some of the CIL income is due to the towns and parishes in which the development occurs. These sums are paid over to the relevant town and parish councils twice-yearly. In 2018/19, this totalled £69k.

Many District Councillors are also town or parish councillors within the district. Whilst the Council did not make any material decisions or transactions affecting towns and parish councils during 2018/19, the following asset transfers are reported for information purposes:

The Council approved the transfer of the land and toilets at West Lulworth to the Lulworth Estate in June 2017; this transfer was completed during 2018/19.

In May 2018 the Council approved the transfer of some small parcels of land, generally on housing estates, to town and parish councils to allow them to be managed more locally.

These transfers have been made as a benefit to the community rather than a detriment to Dorset Council.

The Corfe Castle toilets and part of the car park have been transferred to Corfe Castle Parish Council in the early part of 2019/20.

A District Council Councillor is on the CAB management committee. The CAB received Council funding in the sum of £106k in 2018/19.

## **Note 8. Events after the Balance Sheet Date**

The unaudited Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2019.

At the time the accounts were prepared the Council was not aware of any post Balance Sheet events, other than Local Government Re-organisation. Since that time new information has come to light regarding the Council's pension liabilities, the impact of which has been reflected in the financial statements and notes.

The audited accounts have been certified by the Chief Finance Officer and approved by the Audit and Governance Committee on 26 July 2019.

### **Local Government Reorganisation**

Parliament approved the reorganisation of local government across Dorset in May 2018. As a consequence, Purbeck District Council, together with Dorset County Council, East Dorset District Council, North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council, were abolished on 31 March 2019, and a new unitary Dorset Council was created on 1 April 2019, with the responsibilities of these authorities.

All of the assets, liabilities, resources, staff, rights and functions of the predecessor councils will transfer to Dorset Council upon its creation under the Local Government (Structural Changes) (Transfer of Functions, Property, Rights and Liabilities) Regulations 2008.

All leases and other legal agreements and obligations novated to Dorset Council on 1 April 2019, under the Local Government (Structural Changes) (Transitional Arrangements) (No.2) Regulations 2008.

### **Pension Liabilities**

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

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for Purbeck District

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

Council equates to a potential increase in liabilities of approximately £448k as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for Purbeck District Council as at 31 March 2019 to be 0.7% of total liabilities. This equates to a potential increase in liabilities of approximately £337k.

Purbeck District Council has adjusted its accounts by the amount estimated using the GAD methodology of £448k.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – General

## **Comprehensive Income and Expenditure Statement Notes**



## Comprehensive Income and Expenditure Statement Notes

### Note 9. Officers' Remuneration

During 2017/18 and 2018/19 four people held senior positions in the Council; the following table shows the cost for each person by year.

The Chief Executive and the General Manager – Resources both left the Council on 31 March 2019. Their final payments included pay in lieu of notice and outstanding annual leave, which accounts for the increase in salary and allowances between 2017/18 and 2018/19. In accordance with the scheme of voluntary release these officers were entitled to redundancy payments, Chief Executive £95k and GM – Resources £60k.

Positions held at 31 March 2019	2017/18			2018/19			Total £000
	Salary and Allowances £000	Pension Contribution £000	Total £000	Salary and Allowances £000	Compensation for loss of office £000	Pension Contribution £000	
Chief Executive	88	14	102	117	95	14	<b>226</b>
GM - Planning & Community Services (01/04/17 to 31/01/18)	51	8	59	62	0	10	<b>72</b>
GM - Resources	61	10	71	81	60	10	<b>151</b>
GM - Public Health & Housing Services	61	10	71	62	0	10	<b>72</b>
<b>Total</b>	<b>261</b>	<b>42</b>	<b>303</b>	<b>322</b>	<b>155</b>	<b>44</b>	<b>521</b>

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

The Council has one other employee receiving more than £50,000 remuneration for the year and is shown below.

<b>Remuneration Band</b>	<b>2017/18 Number of employees</b>	<b>2018/19 Number of employees</b>
£50,000 - £54,999	1	1

### **Note 10. Councillors' Allowances**

The Council paid the following amounts to councillors during the year.

<b>2017/18 £000</b>		<b>2018/19 £000</b>
170	Allowances	173
3	Expenses	3
<u>173</u>	<b>Total Payments</b>	<u>176</u>

### **Note 11. Exit Packages**

Five employees received an exit package during 2018/19 and the total cost was within the bandings below:

There were no exit packages during 2017/18.

<b>2017/18 No. of employees</b>	<b>Cost Bandings</b>	<b>2018/19 No. of employees</b>
0	up to £20,000	2
0	£20,000 to £40,000	0
0	£40,001 to £60,000	1
0	£60,001 to £80,000	0
0	£80,001 to £100,000	0
0	£100,001 to £150,000	2
<u>0</u>		<u>5</u>

The above costs include, where applicable, compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

## **Note 12. External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Council's external auditors:

2017/18		2018/19
£000	<b>Fees payable to the external auditor for:</b>	<b>£000</b>
40	External audit services carried out by the appointed auditor for the year.	31
9	Certification of grant claims and returns for the year.	0
0	National Fraud Initiative data matching exercise.	2
<u>49</u>	<b>Total Fees Paid</b>	<u>33</u>

In addition to the external audit services, the Council also participates in the National Fraud Initiative data matching exercise, which is undertaken every two years. The cost of the exercise was £2,100 in 2018/19, which was paid to the Cabinet Office.

## **Note 13. Specific Revenue Grant Income**

The following specific grants, contributions and donations were credited to various services within the Comprehensive Income and Expenditure Statement.

2017/18		2018/19
£000		<b>£000</b>
12,715	Housing Benefit Subsidy Grants	11,160
321	Purbeck Sports Centre funding contribution	335
459	New Homes Bonus	294
116	Local Development Order Partnership	183
149	New Burdens Grant	166
170	Housing Benefit / Council Tax Admin Grant	157
164	Coastal Monitoring Programme	120
63	Flexible Homelessness Grant	112
99	NNDR cost of collection grant	96
79	Discretionary Housing Payments	79
73	Other contributions	72
41	Rural Services Delivery Grant	51
39	Disabled Facilities Grant	46
4	Other grants	40
21	Business Centre Maintenance Reserve	21
158	Dorset Waste Partnership refund	0
125	Contributions towards the cost of elections	0
20	Neighbourhood Planning	0

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

14,816	12,932
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**Total Grants**

**12,932**

The Flexible Homelessness Support Grant is paid by the Ministry of Housing, Communities and Local Government. It replaced the Temporary Accommodation Management Fee the Department of Work and Pensions paid to councils. The funding is designed to support the Homelessness Reduction Act by providing additional funding to local authorities to enable them to fund a range of services to prevent homelessness.

## **Note 14. Leases**

### **Council as Lessee**

The Council does not have any finance leases. The Council's payments under operating leases were:

2017/18		2018/19
£000		£000
	<b>Other Land and Buildings</b>	
4	Connegar Lane Car Park	4
1	Land at Burngate Stone Centre	1
	<b>Other Land and Buildings</b>	
8	Photocopiers and coffee machine	8
13	<b>Total</b>	<b>13</b>

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are:

2017/18		2018/19
£000		£000
13	Not later than one year	10
	Later than one year and not later than five	
7	years	9
5	Later than five years	4
25		<b>23</b>

The lease arrangement for the **photocopiers** came into effect from August 2014 and is in place until 31 July 2019. This contract has been extended for a further two years until August 2021.

The Council has a peppercorn lease arrangement for the land at the site of the **Rempstone Barns Industrial Units** so there is no cost to the Council.

An operating lease arrangement is in place for **Wareham Walls and Streche Road car park** with no lease cost to the Council.

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

The Council has a management arrangement in place with Dorset County Council and the Purbeck School to run the **Purbeck Sports Centre** on their behalf for school use and to allow this Council to use the facility for community use. Under this arrangement Dorset County Council contributed £335k to the running costs of the Centre in 2018/19.

**Council as Lessor**

The Council has not given any finance leases but has granted operating leases.

The Stone Centre Trust has an operating lease for the use of the **Burngate Stone Working Centre** at a cost of £871 per annum, to preserve and promote local stone working skills.

The **Swanage Museum** has an operating lease for the use of the Swanage Heritage Centre at a peppercorn rent.

The Cologne Road Community Group has an operating lease, at a peppercorn rent, for the use of the **community rooms, at 21 Cologne Road, Bovington.**

**Note 15. Impairment Losses**

There were no impairment losses in 2018/19. In 2017/18 there was a material impairment of £1.68m relating to the Council's economic development asset, the Quadrant site at Dorset Innovation Park.

Statement of Accounts 2018/19  
Notes Core Financial Statements – Comprehensive Income and Expenditure Statement

## Note 16. Analysis of Income and Expenditure

In the Comprehensive Income and Expenditure Statement the Net Cost of Services analyses income and expenditure by department and is based on the Council's organisational structure. The following tables provide more detail on the Net Cost of Services.

Service Income and Expenditure	Chief Executive's	Planning Services	Public Health & Housing	Resources	Total
2018/19	£000	£000	£000	£000	£000
Fees, charges and other service income	(7)	(860)	(1,982)	(310)	(3,159)
Government grants, contributions and donations	(90)	(445)	(540)	(11,857)	(12,932)
<b>Total Income</b>	<b>(97)</b>	<b>(1,305)</b>	<b>(2,522)</b>	<b>(12,167)</b>	<b>(16,091)</b>
Employee expenses	882	1,259	1,556	1,031	4,728
Other operating expenses	613	1,233	2,937	1,043	5,826
<b>Total Operating Expenses</b>	<b>1,495</b>	<b>2,492</b>	<b>4,493</b>	<b>2,074</b>	<b>10,554</b>
Benefit payments	0	0	0	11,473	11,473
Capital financing	6	535	758	83	1,382
<b>Total Other Expenses</b>	<b>6</b>	<b>535</b>	<b>758</b>	<b>11,556</b>	<b>12,855</b>
<b>Net Expenditure of Current Services</b>	<b>1,404</b>	<b>1,722</b>	<b>2,729</b>	<b>1,463</b>	<b>7,318</b>
Non-distributed Costs	0	0	0	588	588
<b>Net Expenditure</b>	<b>1,404</b>	<b>1,722</b>	<b>2,729</b>	<b>2,051</b>	<b>7,906</b>

For comparative purposes the same information is shown below for the previous year.

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

<b>Service Income and Expenditure</b>	<b>Chief Executive's</b>	<b>Planning Services</b>	<b>Public Health &amp; Housing</b>	<b>Resources</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2017/18</b>					
Fees, charges and other service income	(8)	(689)	(1,775)	(290)	(2,762)
Government grants, contributions and donations	(193)	(383)	(646)	(13,595)	(14,817)
<b>Total Income</b>	<b>(201)</b>	<b>(1,072)</b>	<b>(2,421)</b>	<b>(13,885)</b>	<b>(17,579)</b>
Employee expenses	726	1,302	1,571	844	4,443
Other operating expenses	482	870	2,669	1,039	5,060
<b>Total Operating Expenses</b>	<b>1,208</b>	<b>2,172</b>	<b>4,240</b>	<b>1,883</b>	<b>9,503</b>
Benefit payments	0	0	0	12,866	12,866
Capital financing	5	2,131	282	90	2,508
<b>Total Other Expenses</b>	<b>5</b>	<b>2,131</b>	<b>282</b>	<b>12,956</b>	<b>15,374</b>
<b>Net Expenditure of Current Services</b>	<b>1,012</b>	<b>3,231</b>	<b>2,101</b>	<b>954</b>	<b>7,298</b>
Non-distributed Costs	0	0	0	72	72
<b>Net Expenditure</b>	<b>1,012</b>	<b>3,231</b>	<b>2,101</b>	<b>1,026</b>	<b>7,370</b>

The following notes explain the main variances between 2018/19's Analysis of Income and Expenditure with that of 2017/18.

In 2018/19 the Council received less income from Government grants, contributions and donations. The variation of £1,885k mainly relates to reduced benefits subsidy of £1,555k in 2018/19 due to lower housing benefit payments being made in year.

The employee costs have increased by £285k when compared to 2017/18; in the main this relates to exit packages of £323k, see **Note 11**. The income generated from fees and charges in 2018/2019 is £397k more than in 2017/2018. This is mainly due to the demand for homelessness services; the income from the recovery of accommodation costs has increased by £150k year-on-year.

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

**Reconciliation to Subjective Analysis**

The following table shows a subjective analysis of the Surplus / Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

2017/18			2018/19		
Services Analysis	Corporate Amounts	Total	Services Analysis	Corporate Amounts	Total
£000	£000	£000	£000	£000	£000
(2,762)		(2,762)	(3,159)		(3,159)
	(69)	(69)		(145)	(145)
	(4,963)	(4,963)		(5,182)	(5,182)
(14,817)	(2,962)	(17,779)	(12,932)	(2,368)	(15,300)
(17,579)	(7,994)	(25,573)	(16,091)	(7,695)	(23,786)
4,515		4,515	5,316		5,316
17,926		17,926	17,299		17,299
2,508		2,508	1,382		1,382
	543	543		474	474
	1,482	1,482		1,596	1,596
	22	22		0	0
	(623)	(623)		(727)	(727)
24,949	1,424	26,373	23,997	1,343	25,340
7,370	(6,570)	800	7,906	(6,352)	1,554

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure**  
**Statement**

## Note 17. Other Operating Expenditure

Other Operating Expenditure comprises the following:

2017/18	2018/19
£000	£000
1,482 Parish council precepts	1,596
22 Additional Parish Support	0
<span style="color: red;">(623)</span> (Gains)/losses on the disposal of non-current assets	<span style="color: red;">(727)</span>
<b>881 Total</b>	<b>869</b>

In 2018/19 gains relate to income received in the sum of £455k under the terms of the 2004 Housing Large Scale Voluntary Transfer agreement. Whereby, subject to some limited exemptions, if the Registered Social Landlord sells any dwellings, garages or land, it is required to pay 50% of the sale proceeds to the Council after the deduction of an indexed property value; the amount spent on repairs and improvements; the costs of sale and any VAT. The obligation is time limited and will cease in June 2024

In 2018/19 further gains were received from Preserved to Buy receipts in the sum of £374k. These gains were offset by an accounting loss on disposal of £102k relating to the transfer of West Lulworth toilets to the Lulworth Estate.

In 2017/18 the gains relate to £699k Preserved Right to Buy receipts, offset by an accounting loss on disposal of £76k relating to the sale of Plot 5 Prospect Business Park. Plot 5 was sold for £185k, with 2/3rds of the proceeds, being £121k, belonging to the Council's partner in the project, Homes England.

## Note 18. Financing and Investment Income and Expenditure

2017/18	2018/19
£000	£000
543 Pension net interest on defined liability (asset)	474
<span style="color: red;">(69)</span> Interest receivable and similar income	<span style="color: red;">(145)</span>
<b>474 Total</b>	<b>329</b>

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

£000	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure £,000s	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

• financial assets measured at fair value through profit or loss	nil	17	nil	8
• financial assets measured at amortised cost	nil	nil	nil	nil
• financial assets measured at fair value through other comprehensive income	nil	nil	nil	nil
<b>Total net gains/losses</b>	<b>17</b>	<b>nil</b>	<b>8</b>	<b>nil</b>
Interest revenue:				
• financial assets measured at amortised cost	69	nil	145	nil
• other financial assets measured at fair value through other comprehensive income	nil	nil	nil	nil
<b>Total interest revenue</b>	<b>69</b>	<b>nil</b>	<b>145</b>	<b>nil</b>

## Note 19. Taxation and Non-specific Grant Incomes

Taxation and Non-specific Grant Incomes comprises the following:

2017/18	2018/19
£000	£000
4,963 Council tax income (1)	5,182
16 Government grant - council tax compensation (2)	20
680 Government grant - business rates compensation (3)	1,023
573 Business rates (4)	399
152 Revenue Support Grant (5)	0
1,541 Capital grants and contributions (6)	926
<b>7,925 Total</b>	<b>7,550</b>

- (1) Council tax income of £5,182k, includes £1,596k, (£1,482k in 2017/18) collected on behalf of the town and parish councils in the district, which was paid to them in April and September. The balance of £3,586k is this Council's income, (£3,481k in 2017/18).
- (2) The Government has given council tax relief for annexes, which reduced this Council's share of the council tax by £20k, for which the Government has compensated the Council.
- (3) The Government compensates the Council for loss of income for nationally awarded business rate reliefs, which are outside the original scheme, which for 2018/19 was £1,023k; the most significant relief included is small business rate relief.
- (4) The net business rates figure of £399k, is analysed in the table below:

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

2017/18		2018/19
£000	<b>Analysis of business rates income</b>	£000
3,160	Deficit brought forward	(31)
6,305	Distributed business rate income net of deficit	6,412
(6,029)	Tariff payment to the Government	(6,350)
(3,158)	Prior year estimated surplus/(deficit) recovered	224
33	Safety net	859
148	Renewable energy	131
86	Enterprise Zone	91
0	Enterprise Zone relief	47
28	Share of closing surplus/(deficit)	(984)
<b>573</b>	<b>Total</b>	<b>399</b>

The above table shows that the Council's share of the business rates element of the Collection Fund started the year with a surplus by £31k. The closing balance in 2017/18 was £28k; the £3k variation is this council's share of a £7k discrepancy from a previous year-end return, which has now been corrected.

The Council's share of in-year distributions net of the estimated deficit was £6,412k. Due to the shortfall in income from the current year the Fund has been put back into deficit, the Council's share of which is £984k.

The localised business rates scheme allows the Planning Authority which gave the approval for renewable energy sites to retain all of the business rates generated by the sites rather than shared with the other preceptors and the Government. For 2018/19, this was £131k, which is slightly less than the previous year, due to lower rateable values on existing sites.

The Council's Enterprise Zone came into being on the 1 April 2017. Part of the benefit of being an Enterprise Zone is that the growth in business rates is top-sliced before distribution and made available to the billing authority for reinvestment in the local infrastructure. Responsibility for delivering the agreed infrastructure plan rests with the Local Enterprise Partnership. In its first year 2017/18 the Enterprise Zone has generated additional business rates of £86k; in 2019/18 this was £91k.

The total income from business rates comprises the £399k received from the Collection Fund and the Government grant to compensate the Council for loss of business rate income of £1,023k, set out in note 3 above, giving a total of £1,422k.

- (5) In line with the Government's deficit reduction programme, 2017/18 was the last year the Council received this grant.
- (6) See **Note 20** for an analysis of capital grants and contributions.

**Statement of Accounts 2018/19**  
**Notes Core Financial Statements – Comprehensive Income and Expenditure Statement**

## **Note 20. Capital Grants and Contributions**

The Council credited the following capital grants and contributions to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement:

2017/18		2018/19
£000		£000
360	Community Infrastructure Levy	761
0	Norden car park - phase 3	109
1,174	Quadrant Site - Dorset Innovation Park	43
0	Northbrook Road Bridge	13
7	IT Capital Equipment	0
<b>1,541</b>	<b>Total</b>	<b>926</b>

The Community Infrastructure Levy receipts in 2018/19 are higher than 2017/18 due a contribution of £252k in respect of a development in Swanage. The receipts will be transferred to the CIL Reserve until required to support relevant schemes.

Also in 2018/19 Norden Car Park – Phase 3 works, included the refurbishment of the toilets, play park and office accommodation, to be funded from the Coastal Communities Fund grant.

In 2017/18, the Dorset Innovation Park costs relate to the Council's share of the development of the Quadrant site business units, owned 50:50 with Dorset County Council. Also in 2017/18 the Council's IT Service assisted the Revenues and Benefits Partnership to acquire and install IT equipment for their staff based at Westport House. The £7k contribution is from the Partnership to cover the costs incurred.

## **Movement in Reserves Statement Notes**



## **Movement in Reserves Statement Notes**

### **Note 21. Note to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis**

Accounting standards require the Council to account for transactions such as movements on the Pension Fund Reserve, depreciation and asset gains and losses within the Net Deficit on the Provision of Services of £1,554k, as shown in the Comprehensive Income and Expenditure Statement.

These accounting transactions total £2,061k but cannot be included in the calculation of the General Fund or for council tax setting and so are removed via the Movement in Reserves Statement. The following tables provide some further analysis of this Statement.

The Expenditure and Funding Analysis, on the next page, is a departmental analysis that shows that the Net Surplus on the Provision of Services, before the accounting adjustments, is £507k. This figure can be seen in the Movement in Reserves Statement as the movement on the General Fund before transfers to reserves. The accounting adjustments of £2,061k are analysed in the table by department to arrive at the Net Deficit on the Provision of Services of £1,554k as shown in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. The bottom of the table also shows a reconciliation of the movement on the General Fund.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Movement in Reserves Statement

Expenditure and Funding Analysis

2017/18			2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure Comprehensive Income and Expenditure Statement Departments	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure Comprehensive Income and Expenditure Statement
£000's	£000's	£000's	£000's	£000's	£000's
1,007	5	1,012	1,399	5	1,404
2,516	715	3,231	2,010	(288)	1,722
2,564	(463)	2,101	2,800	(71)	2,729
2,636	(1,682)	954	(1,426)	2,889	1,463
72	0	72	588	0	588
8,795	(1,425)	7,370	5,371	2,535	7,906
(6,027)	(543)	(6,570)	(5,878)	(474)	(6,352)
2,768	(1,968)	800	(507)	2,061	1,554
6,127		<b>Opening General Fund balance</b>	3,199		
(2,768)		Surplus / (Deficit) on the General Fund Balance	507		
(160)		Net transfers to/from reserves	(487)		
3,199		<b>Closing General Fund balance</b>	<b>3,219</b>		

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Movement in Reserves Statement

The following table analyses the Adjustments between the Funding and Accounting Basis columns by fund type/purpose:

2017/18 Adjustment for:					2018/19 Adjustment for:				
Capital Purposes	Net Pension Changes	Collection Fund	Other Adjustments	Total	Capital Purposes	Net Pension Changes	Collection Fund	Other Adjustments	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(6)				(6)	(5)				(5)
(593)			(122)	(715)	(535)		823		288
(280)			743	463	(758)		829		71
(90)	(373)	3,232		2,769	(84)	(752)	(1,105)		(1,941)
(969)	(373)	3,232	621	2,511	(1,382)	(752)	(1,105)	1,652	(1,587)
	(543)			(543)		(474)			(474)
(969)	(916)	3,232	621	1,968	(1,382)	(1,226)	(1,105)	1,652	(2,061)

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES)

**Reversal of CIES debits/credits:**

Departments  
Chief Executive's  
Planning & Community Services  
Public Health & Housing Services  
Resources

**Net Cost of Services**

Other income/expenditure  
**Difference between General Fund surplus / (deficit) & Comprehensive Income and Expenditure Statement surplus/(deficit) - accounting adjustments**

Adjustments for “capital purposes” include depreciation and Revenue Expenditure Funded from Capital Under Statute (REFCUS), see **Note 22**, and also capital grants received, see **Note 20**.

The “other adjustments” column shows the net gain on the disposal of assets of £829k, which is the preserved right to buy income of £374k and clawback income of £455k.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Movement in Reserves Statement

The table below analyses the technical adjustments shown in the Movement in Reserves Statement, including the £1,613k above.

2017/18				2018/19				
Usable Reserves				Usable Reserves				
General Fund Balance	Capital Receipts	Capital Grants	Movement in Unusable Reserves	General Fund Balance	Capital Receipts	Capital Grants	Movement in Unusable Reserves	Notes
£000	£000	£000	£000	£000	£000	£000	£000	
447			(447)	448			(448)	
1,668			(1,668)	0			0	
(1,541)		359	1,182	(926)		703	223	1
393			(393)	934			(933)	
(621)	761		(140)	(726)	829		(103)	
2			(2)	0			0	
0	(1,142)	(90)	1,232	0	(869)		869	2
(3,232)			3,232	1,105			(1,105)	3
1,653			(1,653)	2,020			(2,020)	
(737)			737	(794)			794	
(1,968)	(381)	269	2,080	2,061	(40)	703	(2,723)	

**Adjustments**

**(CIES = Comprehensive Income and Expenditure Statement)**

**Capital Adjustment Account:**

**Reversal of debits / credits to CIES:**

- Charges for depreciation & impairment of non-current assets
- Revaluation gains / losses on Property, Plant and Equipment
- Capital grants and contributions applied
- Revenue expenditure funded from capital under statute
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES

**Revenue Contribution to Capital Outlay (RCCO)**

**Capital Receipts Reserve:**

- Use of the Capital Receipts Reserve to finance new capital expenditure

**Collection Fund:**

- Amount by which Council Tax income & NNDR income in the CIES is different from the amount taken to the General Fund in accordance with regulation

**Pensions Reserve:**

- Reversal of items relating to retirement benefits debited / credited to the CIES
- Employer's pensions contributions and direct payments to pensioners payable in the year

**Total Adjustments**

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Movement in Reserves Statement

Notes:

1. Capital Grants and Contributions are covered in Note 20. The main item included is Community Infrastructure Levy of £761k; when compared to 2017/2018 this has increased by £401k.
2. The £869k use of capital receipts was, in the main, used to fund the Council's capital projects, which included £318k for the redevelopment of Westminster Road Depot and £282k to meet the cost of providing affordable housing at Abbascombe, Worth Matravers.
3. In 2018/19 this entry largely relates to the National Non-Domestic Rates (NNDR) deficit carried forward of £986k, which will be recovered by the Collection Fund in 2019/20.

## Note 22. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This expenditure is classified as capital for funding purposes even though it does not result in a fixed asset on the Balance Sheet. This expenditure can therefore be funded from capital resources rather than charged to the General Fund and hence the council tax. These items are generally grants and expenditure on property not owned by the Council. To avoid REFCUS impacting on the General fund it is reversed out through the Movement in Reserve statement at **Note 21**.

The following table analyses the £934k REFCUS expenditure against the Council's corporate priorities.

2017/18		2018/19
£000's		£000's
	<b>Improving the Local Economy and Infrastructure</b>	
87	- Superfast Broadband	0
4	- Prospect Business Park	122
50	- Swanage Pier Trust	0
0	- Dorset Innovation Park - Land owner costs	17
0	- Purchase of Enterprise Zone	50
0	- Westminster Road Depot	318
	<b>Meeting the Housing Needs of Local People</b>	
0	- East Boro Housing Trust Grant	282
	<b>Protecting and Enhancing the Natural Environment</b>	
90	- Nitrogen Mitigation (funded from CIL)	0
0	- Northbrook Bridge	20
0	- Swanage Seafront	50
	<b>Enhancing Local Communities and Involvement</b>	
0	- Village Hall Grants	40
162	- Sports Centre Improvement Works	35
<b>393</b>	<b>Total</b>	<b>934</b>

The two major capital projects for 2018/19 are the Westminster Road Depot redevelopment of £318k and the East Boro Housing Trust grant of £282k to provide affordable housing at Abbascombe, Worth Matravers.

## **Balance Sheet Notes**



## Balance Sheet Notes

### Note 23. Property, Plant and Equipment

The Balance Sheet shows the value of the Council's property, plant and equipment at 31 March. The following table lists the various assets that are included in this total.

31/03/2018 £000's	Fixed Assets	31/03/2019 £000's
	<b>Land &amp; Building</b>	
1,950	Westport House, Wareham	1,924
	299 Westminster Road Depot, Wareham (Waste Partnership)	288
	330 Norden Car Park	416
	804 Other Car Parks (5)	789
	757 Public Conveniences (4)	701
	269 Swanage Heritage Centre	264
	350 Kings Court Business Centre, Swanage	333
	222 Purbeck Business Centre, Swanage (2/9th share)	219
	210 21 Cologne Road, Bovington	207
	0 15 Davenport Close, Upton	175
	0 117 Northport Drive, Wareham	269
	0 7 The Paddock, Upton	271
3,630	Dorset Innovation Park - Quadrant	3,634
8,821		<b>9,490</b>
	<b>Operational Surplus Assets</b>	
185	Westminster Road Depot, Wareham Offices	180
185		<b>180</b>
	<b>Vehicles, Plant &amp; Equipment</b>	
	78 Computer Hardware	79
	27 Spin Bikes	21
	0 Climb Excite Machines	13
	23 Car Parks - Ticket Machines	20
	11 Polling Station Voting Booths	9
0	Norden Play Area Equipment	35
139		<b>177</b>
	<b>Community Assets</b>	
15	Upton Wood, Upton	15
15		<b>15</b>
	<b>Infrastructure</b>	
	33 Purbeck Heights Durlston, Swanage - Coast Protection	26
	67 Durlston Cliff, Swanage - Coast Protection	56
	1,032 Swanage Beach Scheme - Groynes	988
	149 Swanage Beach - Sand Renourishment	130
	70 Swanage Square - Enhancement	47
2,286	Swanage - Land Drainage Scheme	2,172
3,637		<b>3,419</b>
12,797	<b>Balance Sheet Total</b>	<b>13,281</b>

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

The following table shows the movements in asset values during 2018/19.

	<b>Operational Land &amp; Buildings £000's</b>	<b>Operational Surplus Assets £000's</b>	<b>Vehicles, Plant &amp; Equipment £000's</b>	<b>Community Assets £000's</b>	<b>Infra- structure Assets £000's</b>	<b>Assets Under Construction £000's</b>	<b>Total £000's</b>
<b>Cost or Valuation</b>							
At 1 April 2018	8,821	206	961	15	5,902	0	15,905
Additions	820		91				911
Disposals	(103)						(103)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	72						72
Change of Asset categorisation							0
Other movements in cost or valuation							0
<b>At 31 March 2019</b>	<b>9,610</b>	<b>206</b>	<b>1,052</b>	<b>15</b>	<b>5,902</b>	<b>0</b>	<b>16,785</b>
<b>Accumulated depreciation and Impairment</b>							
At 1 April 2018	0	(21)	(822)	0	(2,265)	0	(3,108)
Depreciation charge	(122)	(5)	(53)		(218)		(398)
Accumulated depreciation written out to the Revaluation Reserve	2						2
<b>At 31 March 2019</b>	<b>(120)</b>	<b>(26)</b>	<b>(875)</b>	<b>0</b>	<b>(2,483)</b>	<b>0</b>	<b>(3,504)</b>
Impairment loss recognised in the Surplus/Deficit on the Provision of Services							0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>9,490</b>	<b>180</b>	<b>177</b>	<b>15</b>	<b>3,419</b>	<b>0</b>	<b>13,281</b>
at 31 March 2018	8,821	185	139	15	3,637	0	12,797

For comparative purposes the movement on asset values for the previous year is shown in the table below:

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Balance Sheet

	Operational Land & Buildings £000's	Operational Surplus Assets £000's	Vehicles, Plant & Equipment £000's	Community Assets £000's	Infra- structure Assets £000's	Assets Under Construction £000's	Total £000's
<b>Cost or Valuation</b>							
At 1 April 2017	6,181	206	905	15	5,902	711	13,920
Additions	2,065		56				2,121
Disposals						(10)	(10)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,764						2,764
Change of Asset categorisation	701					(701)	0
Other movements in cost or valuation	(1,210)						(1,210)
<b>At 31 March 2018</b>	<b>10,501</b>	<b>206</b>	<b>961</b>	<b>15</b>	<b>5,902</b>	<b>0</b>	<b>17,585</b>
<b>Accumulated depreciation and Impairment</b>							
At 1 April 2017	(1,100)	(16)	(773)	0	(2,046)	0	(3,935)
Depreciation charge	(110)	(5)	(49)	0	(219)	0	(383)
Accumulated depreciation written out to the Revaluation Reserve	1,210						1,210
<b>At 31 March 2018</b>	<b>0</b>	<b>(21)</b>	<b>(822)</b>	<b>0</b>	<b>(2,265)</b>	<b>0</b>	<b>(3,108)</b>
Impairment loss recognised in the Surplus/Deficit on the Provision of Services	(1,680)						(1,680)
	<b>(1,680)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,680)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>8,821</b>	<b>185</b>	<b>139</b>	<b>15</b>	<b>3,637</b>	<b>0</b>	<b>12,797</b>
at 31 March 2017	5,081	190	132	15	3,856	711	9,985

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

### **Depreciation**

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

- Operational Land and Buildings – 5 to 50 years
- Vehicles, Plant and Equipment – 6 to 9 years
- Infrastructure – 3 to 23 years

### **Revaluations**

The Council has valued all of its Land and Property assets in 2017/18 three years after the last full valuation, in keeping with the guidance suggesting all assets in a class should be valued at the same time.

In 2018/19 the Council conducted a further valuation of the Norden Car Park Site, which included improvements to the Public Convenience and the playground has been replaced.

However, the valuation exercise was carried out by Dorset Property Surveys namely Sam Munnings MSc MRICS on 28 February 2019. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied by the valuer in estimating the fair values are that:

- no damaging or hazardous materials or techniques have been used in the construction of any of the buildings, and that there is no contamination in or from the ground, and it is not land-filled ground;
- reliance has been placed on the accuracy of information supplied by the Council, and there are no special conditions attached to the subject premises of which we were not aware;
- that an inspection of those parts that have not been inspected, or a survey inspection, would not reveal material defects or cause the valuer to alter their valuation materially;
- the assets are not subject to any unusual or especially onerous restrictions, encumbrances, mortgages, charges or other outgoing that would affect their value and that a good title can be shown;
- values are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by any other statutory notice, and that neither the property construction nor condition, use or intended use was, is or will be unlawful or in breach of any covenant; and
- that sewers, mains services and the roads giving access to the property have been adopted, and that any lease provides rights of access and egress over all communal grounds, parking areas and other facilities.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

Revaluations	Operational Other Land & Buildings £000's	Operational Surplus Assets £000's	Vehicles, Plant & Equipment £000's	Community Assets £000's	Infra- structure Assets £000's	Total £000's
Assets carried at historical cost		180	177	15	3,419	3,791
Assets carried at fair value	8,818					8,818
Assets revalued in year	672					672
<b>Total Cost or Valuation</b>	<b>9,490</b>	<b>180</b>	<b>177</b>	<b>15</b>	<b>3,419</b>	<b>13,281</b>

## Note 24. Construction Contracts

The Council had no significant construction contracts in progress during 2018/19.

## Note 25. Investment Properties

The Council has no investment properties.

## Note 26. Intangible Assets

The Council accounts for its software as intangible assets and includes purchased licences only. All software is assumed to have a five year useful economic life.

The movement in the value of Intangible Assets during the year is as follows:

Other Assets 2017/18 £000's		Other Assets 2018/19 £000's
129	<b>Balance at start of year:</b>	<b>135</b>
70	Purchases	12
(64)	Amortisation for the period	(50)
<u>135</u>	<b>Net carrying amount at end of year</b>	<u>97</u>

## Note 27. Financial Instruments

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

£000	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31 March 2018	31 March 2019							
Fair value through profit and loss	538	2,046	nil	Nil	nil	nil	nil	nil	2,046
Amortised Cost	nil	Nil	241	232	8,400	2,280	1,360	1,435	3,947
Fair value through other comprehensive income - other	nil	nil							
<b>Total financial assets</b>	<b>538</b>	<b>2,046</b>	<b>241</b>	<b>232</b>	<b>8,400</b>	<b>2,280</b>	<b>1,360</b>	<b>1,435</b>	<b>5,993</b>
Non-financial assets	nil	nil							
<b>Total</b>	<b>nil</b>	<b>nil</b>							

	Non-current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31 March 2018	31 March 2019							
Fair value through profit and loss	nil	nil							
Amortised Cost	nil	nil	nil	nil	nil	nil	3,111	512	512
<b>Total financial liabilities</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>3,111</b>	<b>512</b>	<b>512</b>
Non-financial liabilities	nil	nil							
<b>Total</b>	<b>nil</b>	<b>nil</b>							

The Council's only liabilities are short-term creditors. The Council is debt-free and therefore does not have borrowings, nor does it have any other long-term liabilities other than the Timson Trust Fund, see **Note 37**.

### Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

£000s	New Classifications at 1 April 2018			
	Carrying amount brought forward at 1 April	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
<b>Previous classifications</b>				
Loans and receivables	10,001	10,001	nil	nil
Available for Sale	538	nil	nil	538

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

Fair value through profit and loss	nil	nil	nil	nil
<b>Reclassified amounts at 1 April 2018</b>	<b>10,539</b>	<b>10,001</b>	<b>nil</b>	<b>538</b>
Remeasurements at 1 April 2018	nil	nil	nil	nil
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>10,539</b>	<b>10,001</b>	<b>nil</b>	<b>538</b>
Impact on General Fund Balance				nil
Impact on Financial Instruments Revaluation Reserve				nil

**Effect of Asset Reclassification and Re-measurement on the Balance Sheet**

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

**New Classifications at 1 April 2018**

<b>£000s</b>	<b>Amortised Cost</b>	<b>Fair Value through Other Comprehensive Income</b>	<b>Fair value through profit and Loss</b>	<b>Non-financial instrument balances</b>	<b>Total Balance Sheet carrying amount</b>
<b>Re-measured carrying amounts at 1 April 2018</b>					
Non-current investments	nil	nil	538	nil	538
Long-term debtors	241	nil	nil	nil	241
Current investments	5,000	nil	nil	nil	5,000
Current debtors	1,360	nil	nil	nil	1,360
Cash and cash equivalent	3,819	nil	nil	nil	3,819
<b>Total</b>	<b>10,420</b>	<b>nil</b>	<b>538</b>	<b>nil</b>	<b>10,958</b>

**Application of classification requirements at 1 April 2018**

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- The non-current investment is in a property fund with a carrying amount of £538k and has been reclassified from available-for-sale to fair value through profit or loss, as it has a quoted market price and can be traded.
- Long-term and Current debtors have both been reclassified as amortised costs.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

- Current investments comprised £5m short-term fixed rate investments with banks and a local authority. These are now classified as simple deposits and so are treated as amortised costs.
- The Council's cash and cash equivalents include £3.4m in instant access Money Market Funds (MMFs). These can be classified as either Amortised Cost or Fair Value Profit and Loss depending on whether they meet the definition of Solely Principal and Interest (SPPI). As the Council's MMFs act the same as SPPI they have been treated as amortised costs.

**Reclassification and remeasurement of impairment losses at 1 April 2018**

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model for calculations.

£000s	Loss allowances for new classifications at 1 April 2018		
	Impairment allowance brought forward at 1 April	Amortised cost	Fair value through other comprehensive income
<b>Previous classifications</b>			
Loans and receivables	90	10,420	nil
Available for sale	nil	nil	538
<b>Reclassified amounts at 1 April 2018</b>	<b>90</b>	<b>10,420</b>	<b>538</b>
Re-measurement from incurred losses to expected losses basis at 1 April 2018	nil	10,420	nil
<b>Impairment loss allowance at 1 April 2018</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>

**Note 1** – Under accounting requirements the carrying value of the financial instrument is shown in the Balance Sheet which includes the principal amount lent and further adjustments for breakage costs. Accrued interest is shown separately in current assets where the receipts are due within one year. The effective interest rate is accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note: Accrued interest is not required for instruments measured at EIR, as this adjustment covers a full year's interest. Dividends from the Council's non-current investment are recognised within **Financing and Investment Income**.

**Note 2** – Fair value has been measured by:

- Direct reference to published price quotations in an active market, which applies to the two non-current investments; and

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

- Estimating using a valuation technique; however, the Council’s assets and liabilities are such that fair values are not currently used. The reasons for this are:
  - The Council only has fixed short-term, fixed rate investments and its policy is not to undertake fair value calculations in these circumstances as these values are considered a fair approximation of their value and any movement would not be material to the Council’s accounts.
  - Short-term debtors and creditors are carried at cost as this is considered a fair approximation of their value.

**Note 3** – Local authorities can give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council has not provided any financial guarantees.

**Note 4** - The Council has made an interest-free loan to the Kimmeridge Fossil Museum and Village Hall Trust of £150k and a number of soft loans totalling £88k relating to Housing Renewal Equity Home Loans. When soft loans are made, a loss of interest should be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. However, because this interest foregone would be immaterial to the accounts it is the Council’s policy not to recognise this cost. The soft loans detailed information is as follows:

<b>Kimmeridge Fossil Museum and Village Hall</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
Opening Balance	£150k	£150k
+ New loans granted	nil	nil
- Loans repaid	nil	nil
<b>Balance carried forward</b>	<b>£150k</b>	<b>£150k</b>
<b>Nominal value carried forward</b>	<b>£150k</b>	<b>£150k</b>
<b>Home Equity Loans</b>		
Opening Balance	£88k	£88k
+ New loans granted	nil	nil
- Loans repaid	nil	7k
<b>Balance carried forward</b>	<b>£88k</b>	<b>£81k</b>
<b>Nominal value carried forward</b>	<b>£88k</b>	<b>£81k</b>

### **Valuation Assumptions**

The Council's policy is not to use fair value for these loans as the adjustments are immaterial to the Council's accounts.

## **Note 28. Disclosure of Nature and Extent of Risks Arising from Financial Instruments**

### **1. Overall procedures for managing risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the treasury officers, under policies approved by the Council in the annual treasury management strategy. The Council provides 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. As the Council does not have debt, Re-financing Risk is not relevant.

### **2. Key Financial Risks**

The Council's activities expose it to the following financial risks:

<b>Credit Risk</b>	the possibility that other parties might fail to pay amounts due to the Council.
<b>Liquidity Risk</b>	the possibility that the Council might not have funds available to meet its commitments to make payments.
<b>Market Risk</b>	the possibility that financial loss might arise as a result of changes in measures such as interest rates or stock market movements.

### **3. Credit Risk**

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

This risk is minimised through the annual Investment Strategy, which was approved by Council on 20 February 2018, and is available on the Council's website. It requires deposits to be made with financial institutions which meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Rating Services. The annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services, the Council's Treasury Advisors. This service uses a sophisticated modelling approach with

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

credit ratings from all three rating agencies: Fitch; Moody's; and Standard and Poor's, forming the core element. However, it does not rely solely on the credit ratings of counterparties but also uses the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in individual financial institutions of up to £2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

At 31 March 2019, the Council had two non-current investments of £546k and £1,500k, with £2,280k held as short-term investments (fair value through profit and loss) with the Debt Management Office. A risk of recoverability applies to all of the Council's deposits but there was no evidence at 31 March 2019 that this was likely to crystallise.

**Credit Risk Exposure**

Throughout the year the Council held most of its investments in AAA rated Money Market Funds. At year-end any remaining investment balances have been transferred to the Debt Management Office of the Bank of England which carries the British sovereign rating of AA. The Council's two non-current investments do not have a rating applied to them as the capital value of the fund fluctuates.

The Council does not generally allow credit for customers; however, at 31 March 2019, the General Fund debt outstanding was £1,519k, compared to £1,450k the previous year. £1,305k of this debt is not overdue as customers have 28 days to make payment, leaving a balance of overdue debt of £214k. In 2017/18 this figure was £241k. The table below analyses this debt by age. The 'two to six month' figure of £126k in 2017/18 is more than in 2018/2019 because it includes four invoices for community infrastructure levy of £60k.

2017/18	2018/19
£000	£000
126	65
24	44
91	105
241	<b>214</b>

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

### **Liquidity Risk**

The Council manages its liquidity position through the risk management procedures referred to 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 CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

Whilst the Council is currently debt-free, it has ready access to borrowing from the money markets to cover any day-to-day cash flow need and the Public Works Loan Board and money markets for access to longer-term funds. 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. This framework ensures that, if the Council had debt, there is no risk that it would be unable to raise finance to meet its commitments under financial instruments.

Apart from the soft loans referred to in this note, all other sums owing to the Council are due to be paid, or can be recalled, in less than one year. This has not changed since last year.

### **Market Risk**

#### **Interest Rate Risk**

The Council is exposed to interest rate movements on its investments. As the Council has opted to value its fixed rate investments at contract price plus accrued interest, instead of fair value (see **Policy 9**), a rise or fall in interest rates does not affect the Council's Balance Sheet or Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements.

At the end of 2018/19 all short-term investments were fixed rate. As the Council is debt-free it is not exposed to interest rate risk from borrowings, although the Strategy does include maximum limits for fixed and variable rate exposure, should they be needed.

Included in the £145k interest for the year is £140k in respect of interest earned from investments and deposits. At 31 March 2019, if interest rates had been 1% higher with all other variables held constant, for all investments and deposits, the interest earned of £140k would have increased by £23k to £163k.

#### **Price Risk**

As the Council does not normally invest in equity shares it only has limited exposure to price risk through its CCLA property fund investment, currently valued at £538k, and the CCLA Diversified Income Fund, valued at £1,500k. The Pension Fund, managed by Dorset County Council, does invest in equity shares and would be subject to price risk. Information about the pension fund is set out in **Note 38**.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

**Foreign Exchange Risk**

The Council's normal investment activity would not expose it to exchange rate risks as all investments are in Sterling.

**Note 29. Debtors – Long-term**

The following long-term debtor loans have been awarded in accordance with **Policy 10**:

	Balance 31/03/18 £000's	Advances £000's	Repayments £000's	Balance 31/03/19 £000's
Financial Instruments				
Housing Renewal - Equity Home Loans	88	0	7	81
Kimmeridge Museum and Village Hall Trust	150	0	0	150
Car Loans	3	0	2	1
	<b>241</b>	<b>0</b>	<b>9</b>	<b>232</b>

These are soft loans, where no interest is charged. There are 14 soft loans totalling £232k. The largest loan is in respect of Kimmeridge Fossil Museum and Village Hall in the sum of £150k. In addition, 12 Housing Renewal Equity Home Loans, totalling £81k, have been made to householders to fund work to bring properties to the "Decent Homes Standard". A charge for the value of the loan is made against the property and will be repaid on sale of the property at some point in the future. Due to the low value of the interest foregone on these loans the Council continues to deem them immaterial to the Balance Sheet and, therefore, does not account for the interest foregone.

**Note 30. Investments – Short-term**

The Council had one short-term fixed rate investment with the Bank of England at 31 March 2019, with £5,000k at 31 March 2018, as shown below.

2017/18 £000's	2018/19 £000's
0 Bank of England	2,280
2,000 Goldman Sachs	0
2,000 Surrey Heath Borough Council	0
1,000 Lloyds Bank	0
5,000 <b>Balance outstanding at year-end</b>	<b>2,280</b>

**Note 31. Inventories**

The value of Inventories in the accounts is £4k (£3k in 2017/18), which relates to stock held at the Tourist Information Centre.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Balance Sheet

### Note 32. Assets Held for Sale

2017/18	2018/19
£000's	£000's
140	0
<b>Balance outstanding at start of year</b>	<b>0</b>
0	0
Assets classified as held for sale	0
(140)	0
Assets sold (including disposal costs)	0
<u>0</u>	<u>0</u>
<b>Balance outstanding at year-end</b>	<b>0</b>

The asset sold in 2017/18 was the final plot at Prospect Business Park, Swanage.

### Note 33. Debtors – Short-term

The short-term debtor balance is analysed below:

Financial			Financial	
Instruments	Other		Instruments	Other
31/03/18	31/03/18		31/03/19	31/03/19
£000's	£000's		£000's	£000's
0	573	Government Departments (Inc. NNDR)	0	782
303	359	Other Local Authorities	138	700
0	1,506	Council Tax & NNDR Preceptors	0	384
0	(113)	- Impairment Allowance	0	(136)
1,147	660	Sundry Debtors	1,381	663
(90)	(407)	- Impairment Allowance	(84)	(424)
0	188	Payments in Advance	0	184
<u>1,360</u>	<u>2,766</u>		<u>1,435</u>	<u>2,153</u>
	<u>4,126</u>	<b>Total Debtors</b>		<u>3,588</u>

Debtors have decreased year-on-year by £538k from £4,126k to £3,588k.

Council tax payers & NNDR preceptors have decreased by £1,122k. In 2017/18 the figure includes the preceptors' 50% share of the £2,222k backdated business rate appeal refunds for Wytch Farm, which were paid in 2018/19. The delayed payment created a large credit on the payers' account instead of the normal arrears figure, which is also reflected in creditors at **Note 35**.

Sundry Debtors have increased from £1,147k to £1,381k, which is in part due to several outstanding invoices for Community Infrastructure Levy charges totalling £486k, and is offset by a reduction of £303k in Preserved Right to Buy Receipts; in 2018/19 they were £374k and £699k in 2017/18.

There are no significant swings on any other balances in the table above.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Balance Sheet

### Note 34. Cash and Cash Equivalents

The cash and cash equivalents balance is analysed as follows:

31/03/18 £000's		31/03/19 £000's
1	Cash held by the Authority	1
418	Bank current accounts	152
3,400	Short-term corporate deposits	0
3,819	<b>Total</b>	<b>153</b>

The Council had no short-term corporate deposits at 31 March 2019.

### Note 35. Creditors – Short-term

The creditors balance is analysed as follows:

Financial Instruments	Other		Financial Instruments	Other
31/03/18	31/03/18		31/03/19	31/03/19
£000's	£000's		£000's	£000's
0	2,260	Government Departments (incl. NNDR)	0	167
444	409	Other Local Authorities	189	114
0	2	Council Tax Preceptors	0	2
2,623	0	Sundry Creditors	285	0
44	0	Receipts in Advance	38	0
0	1,214	Other creditors (incl. Section 106 planning agreements)	0	916
3,111	3,885		<b>512</b>	<b>1,199</b>
	<b>6,996</b>	<b>Total Creditors</b>	<b>512</b>	<b>1,711</b>

Creditors have decreased year-on-year by £5,285k from £6,996k to £1,711k.

In 2017/18 sundry creditors included backdated business rate appeal refunds of £2,222k in respect of Wytch Farm, which were paid out in 2018/19.

The reduction in government departments reflects that in 2017/18 NNDR was in surplus and the government was owed its share but in 2018/19 NNDR had a very minor surplus owed.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

### **Note 36. Provisions**

The provisions balance is analysed as follows:

31/03/18		31/03/19
£000's		£000's
16	Municipal Mutual Insurance	16
547	NNDR backdated appeals provision	817
<u>563</u>	<b>Total</b>	<u>833</u>

The balance on the Municipal Mutual Insurance provision has remained at the same level as in 2017/18; see **Note 6** for further information.

A new provision was raised in 2013/14, representing the Council's share of the estimated cost of NNDR backdated appeals. The Council assesses changes to this provision in response to the risk of successful appeals against the 2010 list and new appeals against the 2017 list. This review was in line with **Policy 4**, which sets out the methodology for reviewing the level of the provision on an annual basis.

In 2018/19 the full provision was used against refunds, therefore additional contributions of £2,042k have been made to cover the remaining outstanding appeals, Purbeck's share of which is £817k. Further information is available on this in the notes to the Collection Fund.

### **Note 37. Long-term Liabilities**

Monies set aside in the accounts for Timson Trust Properties of £13k (£11k 2017/18) will be used to repair and maintain the properties bequeathed to this Council by Mrs E.M.Timson. The Council uses the properties to provide accommodation for elderly people residing within the District. The Council will continue to use the properties for the benefit of elderly people as required by the trust deed.

However, Council of November 2019, Council agreed the following:

The Timson Trust Cottages should be the subject of a trust for the provision of housing accommodation for persons who are homeless or in housing need and have a local connection with local parishes.

The Timson Cottages will be transferred to the new trustees on completion of the trust deed, which will be completed during 2019/20.

The properties are not an asset of the Council and therefore do not appear in the Balance Sheet. Regardless of ownership, the restrictions imposed by the trust deed means they have no commercial value, unless the restriction is bought out.

## **Note 38. Defined Benefit Pension Scheme**

### **Participation in Pension Schemes**

As part of its staff's terms and conditions of employment, the Council makes contributions towards the cost of pension benefits. Although these benefits are not payable until employees retire, the Council has to make payments at the time that employees earn their pension entitlement.

The Council participates in the Local Government Pension Scheme, which is administered by Dorset County Council. This is a funded, defined benefit scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

### **Pension-related transactions including non-distributed costs**

In 2018/19 the Council paid employers' contributions of £794k (£736k in 2017/18), including added years' benefits.

The Council is responsible for all pension payments relating to the added years' benefits it has awarded to former employees who have retired early, together with related increases. In 2018/19 these amounted to £77k (£75k in 2017/18).

The re-measurements of the net defined benefit liability, in the sum of £1,625k, (£2,428k in 2017/18), are also shown in the Comprehensive Income and Expenditure Statement.

### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. In 2013, the Council agreed a strategy with the scheme's actuaries to achieve a 100% funding level over 25 years, which has remained unaffected by the latest triennial valuation which took place at 31 March 2016. The next actuarial valuation of the Fund will be carried out at 31 March 2019 and will set the contributions for the period 1 April 2020 to 31 March 2023.

### **Charge to Services**

The Council recognises the cost of retirement benefits, in the cost of services, when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

2017/18		2018/19
£000	<b>Comprehensive Income and Expenditure Statement (CIES)</b>	£000
	<b>Cost of Services</b>	
1,111	Service costs	1,098
0	Net settlement of liabilities extinguished	0
1,111	<b>Included in CIES</b>	1,098
	<b>Financing and Investment Income and Expenditure:</b>	
543	Net interest on Defined Liability (Asset)	474
1,654	<b>Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,572</b>

**Assets and Liabilities in Relation to Post-employment Benefits**

The following two tables analyse the movement in the Pension Fund liabilities and assets to arrive at a net movement in the Fund deficit.

**Liabilities** - reconciliation of present value of the scheme liabilities based on defined benefit obligations:

2017/18		2018/19
£000		£000
(49,276)	Opening balance at 1 April	(48,702)
(1,111)	Current service cost	(1,035)
(1,314)	Interest cost	(1,227)
(174)	Contributions by scheme participants	(174)
1,774	Change in financial assumptions	(1,720)
0	Change in demographic assumptions	2,784
0	Past service costs, including curtailments	(511)
1,399	Estimated benefits paid	1,423
(48,702)	Closing balance at 31 March	(49,162)

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

**Assets** - reconciliation of the fair value of the Fund assets:

2017/18 £000		2018/19 £000
28,799	Opening balance at 1 April	29,737
771	Interest on assets	753
676	Return on assets less interest	585
0	Other actuarial gains/(losses)	0
(20)	Administration expenses	(24)
736	Employer contributions	794
174	Contributions by scheme participants	174
(1,399)	Benefits paid	(1,423)
29,737	Closing balance at 31 March	30,596
(18,965)	<b>Net deficit of the scheme</b>	(18,566)

**Scheme History**

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of liabilities	(47,702)	(45,675)	(49,276)	(48,702)	(49,162)
Fair value of assets in the Local Government Pension Scheme	26,479	25,402	28,799	29,737	30,596
Net deficit of the scheme	(21,223)	(20,273)	(20,477)	(18,965)	(18,566)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £18,566k has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is unaffected:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme Actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

**Basis for Estimating Assets and Liabilities**

The expected return on assets is based on the long-term future expected investment return for each asset class at 31 March 2019. To calculate the asset share the Actuary has rolled forward the assets allowing for investment returns (estimated where necessary); contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Council and its employees.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

To assess the value of the Employer's liabilities at 31 March 2019, the Actuary rolled forward the value of the Employer'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 cash flows to be paid from the Fund and placing a value on them. These cash flows 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 a dependant following a member's death.

With regard to the value of scheme liabilities, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2019, should not introduce material distortions in the results, provided the actual experience of the Employer and 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. The Actuary is satisfied that, from the information received, there is no evidence that this approach is inappropriate.

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

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

Nationally, the Government Actuary's Department (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on various assumptions. The impact of an increase of 3.2% on active liabilities for Purbeck District Council equates to a potential increase in liabilities of approximately £448k as at 31 March 2019.

Locally, the impact on any given fund and its scheme employers could be significantly different. The Pension Fund's actuary, Barnett Waddingham, has calculated the estimated impact for Dorset County Council as at 31 March 2019 to be 0.7% of total liabilities. This equates to a potential increase in liabilities of approximately £337k.

Purbeck District Council has adjusted its accounts by the amount estimated using the GAD methodology of £448k.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

The principal assumptions used by the actuary have been:

**Demographic and statistical assumptions**

2017/18	2018/19
Years Life Expectancy from 65 years of age	<b>Years</b>
<u>Retiring 31 March 2019</u>	
24.0 Men	22.9
26.1 Women	24.8
<u>Retiring in 20 years</u>	
26.2 Men	24.6
28.4 Women	26.6

**Financial assumptions used for the IAS 19 calculation**

2017/18	2018/19
3.4% Rate of inflation - RPI	3.4%
2.4% Rate of inflation - CPI (1% below RPI)	2.4%
3.9% Rate of salary increases (1.5% above CPI)	3.9%
2.4% Rate of pension increases	2.4%
2.6% Rate for discounting scheme liabilities	2.4%

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

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

**Fund Assets**

This Council's share of the Fund is approximately 1%, which equates to the following share of each asset class:

2017/18		2018/19	
£000	%	£000	%
16,075	54%	15,524	51%
3,893	13%	3,970	13%
2,084	7%	2,169	7%
1,798	6%	1,818	6%
2,997	10%	3,339	11%
418	1%	919	3%
1,073	4%	1,407	4%
0	0%	0	0%
1,399	5%	1,450	5%
<b>29,737</b>	<b>100%</b>	<b>30,596</b>	<b>100%</b>

**Re-measurement in Other Comprehensive Income**

2017/18	2018/19
£000	£000
676 Return on plan assets in excess of interest	585
0 Other actuarial gains/(losses) on assets	0
1,774 Change in financial assumptions	(1,720)
0 Change in demographic assumptions	2,784
0 Experience gain/(loss) on defined benefit obligation	0
(22) Administration expenses	(24)
<b>2,428 Re-measurements</b>	<b>1,625</b>

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Balance Sheet

### Note 39. Usable Reserves

The following is a list of usable reserves:

2017/18 £000's	2018/19 £000's
622 General Fund	1,019
2,067 General Reserve	741
510 Earmarked Reserves	552
0 Housing S106 Reserve	143
0 NNDR Rate Equalisation Reserve	764
3,199 General Fund	<b>3,219</b>
109 Capital Grants Unapplied	51
1,763 Capital Receipts	1,723
685 Community Infrastructure Levy Reserve	1,446
5,756 <b>Total Usable Reserves</b>	<b>6,439</b>

The movements in usable reserves are summarised in the Movement in Reserves Statement. The major change year-on-year is the use of reserves to fund capital expenditure and the transfer to the NNDR Equalisation Reserve of £764k. The movement on each of the individual reserves is set out in the section below:

#### 39 a) General Fund Balance

2017/18 £000's	2018/19 £000's
951 <b>Balance at 1 April</b>	<b>622</b>
(2,768) Net increase (decrease) before transfers to reserves	507
<u>Transfer (to) / from reserves</u>	
(329) General Fund	397
60 General Reserve	(1,326)
(106) Earmarked Reserve	184
2,645 NNDR Equalisation Reserve	764
167 Unusable Reserves	(133)
2 Compensated Absences Account	4
622	<b>1,019</b>

In 2018/19 the net increase of £507k before transfers to reserves includes the impact of the business rate accounting adjustments. The surplus on the General Fund led to an increase in the balance of £397k; there were also transfers from the general reserve to fund capital expenditure.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

The closing General Fund is made up as follows:

2017/18 £000's	2018/19 £000's
400 Minimum risk assessed balance	400
<u>192</u> Additional funds retained in the balance	<u>619</u>
592	1,019
<u>30</u> Carried forward budgets	<u>0</u>
<u><b>622</b></u> <b>Balance at 31 March</b>	<u><b>1,019</b></u>

**39 b) General Reserve**

This reserve is used to fund designated budgeted revenue and capital expenditure and supplementary estimates approved in-year. At year-end, depending on the Council's financial performance, there may be appropriations in or out of the reserve.

	Balance 2017/18 £000's	Transfers In £000's	Transfers (Out) £000's	Balance 2018/19 £000's
General Reserve	1,830	101	(867)	1,064
Grants	201	131	(100)	232
Capital financing	0	0	(591)	(591)
Home Equity Loans	36	0	0	36
Closing balance	<u><b>2,067</b></u>	<u><b>232</b></u>	<u><b>(1,558)</b></u>	<u><b>741</b></u>

Details of the transfers into the General Reserve of £232k are shown below:

	£000's
Annual fixed contribution	101
<u>Grant income</u>	
Flexible Homelessness Grant	67
Coastal Revival Fund - Swanage Bandstand	40
Homelessness Reduction Act Grant	11
Personal Searches Grant	9
New Burdens funding for the Brownfield register	<u>4</u>
<b>Total</b>	<u><b>131</b></u>
	<u><b>232</b></u>

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

Details of the transfers out of the General Reserve of £1,558k, are shown below:

	<b>£000's</b>
General Reserve	
Capital financing	(591)
Supplementary estimates	(603)
Partial Review expenditure	(120)
Reserve Commitments	(86)
Governance arrangements to support LGR	(45)
Handy Van Service payment	(10)
Other	(3)
	(1,458)
 Grants	 (100)
 <b>Total</b>	 <b>(1,558)</b>

### 39 c) Earmarked Reserves

This note shows the movement in the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and obligations.

	Balance 2017/18 £000's	Transfers In £000's	Transfers (Out) £000's	Balance 2018/19 £000's
Risk Management	39	0	(3)	36
<u>Purbeck Sports Centre:</u>				
- Artificial Pitch	62	8	0	70
- Repairs and Renewals	43	125	(35)	133
Purbeck Business Centre	174	41	(7)	208
Kings Court Business Centre	44	5	(1)	48
Rempstone Barns	57	7	(12)	52
Enterprise Zone	86	0	(86)	0
Other	5	0	0	5
	510	186	(144)	552

The main movement in earmarked reserves is in relation to the Purbeck Sports Centre Repairs and Renewals Reserve. This Reserve has been used to fund the replacement lift and boilers at the Sports Centre in line with the agreed asset management plan.

In 2015/16 the Artificial Pitch was renewed and the cost was met from the Artificial Pitch Reserve. This reserve is replenished with revenue contributions of £8k per annum.

The Dorset Innovation Centre achieved Enterprise Zone status on the 1 April 2017. One of the benefits of this status is that the billing authority (Purbeck) retains the full business rate growth on the site over and above the original rates baseline. The rates are to be used to deliver improvements in the infrastructure on the site and the surrounding area. The billing authority is responsible for ensuring that the funds are distributed for use on approved

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

schemes. In the first year the Enterprise Zone generated £86k additional business rates, which was distributed in 2018/2019.

**39 d) NNDR Equalisation Reserve**

2017/18	2018/19
£000's	£000's
2,645 <b>Balance at 1 April</b>	0
0 NNDR liability	764
<u>(2,645) In-year release</u>	<u>0</u>
<u>0 <b>Balance at 31 March</b></u>	<u>764</u>

This reserve was created in 2014/15, for dealing with the business rates accounting around the operation of the Collection Fund and the Government's safety net arrangements. The Collection Fund's accounting arrangements mean over-distributed funds are not fully recovered for two financial years.

The first year this situation occurred was 2014/15. The substantial, successful, backdated appeals against rateable values in the district resulted in large refunds and, in 2014/15, the Collection Fund backdated appeals provision was increased by £4.1m, to fund these.

This created a large deficit on the Collection Fund, which reduced the income from the fund in that year and triggered a safety net payment of £952k and a refund of overpaid tariff of £456k, giving a total sum from the Government of £1.408m. However, the Council still received the distribution from the Fund. In 2015/16 the same situation was repeated and a safety net payment of £970k and refund of overpaid tariff of £257k, totalling £1.227m, was due from the Government.

The over-distributed business rates in both 2014/15 and 2015/16 would not be recovered by the Collection Fund until 2016/17, which was the first year the Collection Fund distributions would be able to take account of the deficit and seek to recover the over-distributions from both years.

Due to the conflict between the Collection Fund's accounting arrangements and normal accounting conventions, the accounts for 2014/15, showed the income the Council was entitled to, as being the safety net plus renewable energy income. However, the General Fund was in surplus as two lots of income had been received for the year. To ensure this surplus was retained until required in 2016/17, a sum equal to the safety net payment and refund of tariff was transferred to the NNDR Equalisation Reserve in both 2014/15 and 2015/16. As a result the balance on the reserve was £2.635m at 31 March 2016.

In 2016/17, the Collection Fund started to recover the prior year deficits and as a result the £2.635m held in the Equalisation Reserve was released to the General Fund to meet this recovery. The recovery of the deficit meant there were insufficient funds available for distribution and this placed the Council on the safety net for 2016/17, and provided insufficient funds to meet the full tariff payment. As a result there was a further Government accrual of £2.645m at the year-end and this sum was set aside in the Equalisation Reserve for release in future years when the deficit is fully recovered.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

In 2017/18, the Collection Fund fully recovered the remaining deficit but, despite this, the complex accounting arrangements meant the in-year funds were sufficient to meet the tariff payment and resulted in a small safety net payment. In the final assessment, the Equalisation Reserve had insufficient funds to meet the deficit in 2017/18. The shortfall was £516k, which had accumulated since 2014/15.

In 2018/19 there is a deficit on the Collection Fund, which triggered a safety net payment of £892k, an on account payment of £128k was received during the year. The balance due of £764k is due from the Government.

**39 e) Capital Grants Unapplied**

This reserve shows the capital grants received that cannot be used to fund relevant costs until the conditions specified when the grant was awarded have been complied with.

2017/18	2018/19
£000's	£000's
110 <b>Balance at 1 April</b>	109
0 Receipts	0
(1) Funding applied in year	(58)
<b>109 Balance at 31 March</b>	<b>51</b>

This account is currently holding grant income waiting to be applied to fund works re-roofing at the Purbeck Business Centre. The funding applied relates in part to expenditure Prospect Business Park.

**39 f) Capital Receipts Reserve**

This reserve shows the capital receipts available to fund future capital expenditure.

The income relating to other land and property is monies received in 2018/19 under the terms of the 2004 Large Scale Voluntary Transfer, subject to some limited exemptions. When the Registered Social Landlord sells any dwellings, garages or land, it is required to pay 50% of the sale proceeds to the Council after the deduction of an indexed property value; the amount spent on repairs and improvements; the costs of sale and any VAT. The obligation is time-limited and will cease in June 2024.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Balance Sheet**

2017/18	2018/19
£000's	£000's
2,144 <b>Balance 1 April.</b>	1,763
<b>Capital receipts:</b>	
699 Preserved Right to Buy	374
185 Other land and property	455
<b>Less:</b>	
(121) Share of sale proceeds	0
(2) Eligible disposal costs	0
<u>(1,142) Capital receipts used for financing</u>	<u>(869)</u>
<u>1,763 <b>Balance c/fwd:</b></u>	<u><b>1,723</b></u>
<b>Balance c/fwd analysed:</b>	
1,363 General	1,323
400 Housing Projects	400
<u>1,763 <b>Balance c/fwd</b></u>	<u><b>1,723</b></u>

The sale in 2017/18 relates to Plot 5, Prospect Business Park for £185k. The share of sales proceeds of £121k relates to the sum paid to Homes England, as its share of the sale receipts at Prospect Business Park, in keeping with the Funding Agreement.

In 2018/19 the capital receipts of £869k were used to fund the Council's capital projects which included £318k for the redevelopment of Westminster Road Depot and £282k to meet the cost of providing affordable housing at Abbascombe, Worth Matravers.

**39 g) Community Infrastructure Levy (CIL) Reserve**

2017/18	2018/19
£000's	£000's
415 <b>Balance at 1 April</b>	685
360 Receipts	761
(90) Payments	0
<u>685 <b>Balance at 31 March</b></u>	<u><b>1,446</b></u>

This reserve holds the CIL income that will be used to fund infrastructure projects in Purbeck. The Council also collects CIL administration charges which are posted to the Comprehensive Income and Expenditure Statement to offset the Council's costs.

In 2017/18 £90k was paid to the National Trust to purchase land as part of the Poole Harbour Nitrogen Mitigation works.

In addition to the above, some CIL income is passed on to town and parish councils but does not go through the reserve. The total due for 2018/19 is £158k; £44k has been paid out in-year and the balance of £114k is included within creditors on the Balance Sheet.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Balance Sheet

## Note 40. Unusable Reserves

The following is a list of unusable reserves, followed by more detailed notes on each reserve:

2017/18 £000's	2018/19 £000's
(46) Accumulated Absences Account	(42)
38 Available-for-sale Financial Instrument Reserve	46
9,345 Capital Adjustment Account	9,765
26 Council Tax Adjustment Account	26
156 NNDR Adjustment Account	(949)
(18,965) Pensions Reserve	(18,566)
3,814 Revaluation Reserve	3,839
<u>(5,632) Total Unusable Reserves</u>	<u>(5,881)</u>

### 40 a) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for annual leave earned but not taken in the year, which is annual leave carried forward to 2019/20. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. Movements on the account are shown below.

2017/18 £000's	2018/19 £000's
(44) Balance at 1 April	(46)
(2) Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	4
<u>(46) Balance at 31 March</u>	<u>(42)</u>

### 40 b) Available-for-sale Financial Instrument Reserve

This reserve captures the unrealised gains or losses on the £500k investment in the CCLA Property Fund when compared to the year-end market price. The gain in 2018/19 was £8k.

### 40 c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the use of non-current assets and for financing the acquisition, construction or enhancement of those assets. The Account is debited with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside to finance the costs of acquisition, construction and enhancement.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

This account contains the unrealised revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account movements are shown below.

2017/18		2018/19
£000's		£000's
8,432	<b>Balance at 1 April</b>	9,345
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(383)	Charges for depreciation / impairment of non-current assets	(398)
	12 Revaluation gains / (losses) on Property, Plant and Equipment	0
(1,680)	Impairment	0
(64)	Amortisation of intangible assets	(50)
(393)	Revenue expenditure funded from capital under statute	(934)
(140)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(103)
(2,648)		(1,485)
1,210	Accumulated depreciation moved to Revaluation Reserve	2
61	Adjusting amounts written out of the Revaluation Reserve	45
(284)	Adjusting amounts for prior gains/losses on disposals	0
6,771	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>7,907</b>
	<b>Capital financing applied in the year:</b>	
1,182	Application of grants to capital financing	223
(2)	Direct Revenue Financing	0
1,142	Use of Capital Receipts Reserve	869
90	Use of CIL Reserve	0
162	Capital expenditure charged against the General Fund	766
2,574		<b>1,858</b>
9,345	<b>Balance at 31 March</b>	<b>9,765</b>

**40 d) Council Tax Adjustment Account**

The Council Tax Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

Statement of Accounts 2018/19  
Notes to the Core Financial Statements – Cash Flow Statement

**Council Tax Adjustment Account**

2017/18 £000's	2018/19 £000's
105 <b>Balance at 1 April</b>	26
(79) The difference between the council tax income credited to the Comprehensive Income and Expenditure Statement and that calculated in accordance with statutory requirements.	0
<u>26</u> <b>Balance at 31 March</b>	<u>26</u>

Due to the complex funding arrangements around the Collection Fund this account holds two years surplus / (deficit) at any one time, that of the current and previous years. This is because the surplus / (deficits) are not distributed for two years. The year-end balances are therefore made up of Purbeck's share of the surpluses as follows:

<u>2017/18</u>	<u>2018/19</u>
2016/17 surplus £19k	2017/18 surplus £7k
2017/18 surplus £7k	2018/19 surplus £19k
<b>Total net surplus £26k</b>	<b>Total net surplus £26k</b>

**40 e) NNDR Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from NNDR payers compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

**NNDR Adjustment Account**

2017/18 £000's	2018/19 £000's
(3,156) <b>Balance at 1 April</b>	156
3,312 The difference between the NNDR income credited to the Comprehensive Income and Expenditure Statement and that calculated in accordance with statutory requirements.	(1,105)
<u>156</u> <b>Balance at 31 March</b>	<u>(949)</u>

The balance on this account of £949k as at 31 March 2019 is Purbeck's 40% share of the NNDR surplus of £69k. The table below shows how the adjustment of £1,105k charged to the Comprehensive Income and Expenditure Statement is made up and also shows how the balance carried forward of £949k is made up:

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

	<b>2018/19</b>	
	<b>£000's</b>	<b>£000's</b>
Recovery of balance b/fwd		156
Renewables owed for 2017/18	(43)	
Renewables due for 2018/19	12	
Prior year surplus adjustment	(13)	
Enterprise Zone income	(77)	
Share of surplus c/fwd	(984)	
Balance c/fwd		<u>(949)</u>
		<u>1,105</u>

**40 f) Pensions Reserve**

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

2017/18	2018/19
£000's	£000's
<b>(20,477) Balance at 1 April</b>	<b>(18,965)</b>
2,428 Actuarial gains or (losses) on pensions assets and liabilities	1,625
<b>(1,653) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement</b>	<b>(2,020)</b>
737 Employer's pensions contributions and direct payments to pensioners payable in the year	794
<u><b>(18,965) Balance at 31 March</b></u>	<u><b>(18,566)</b></u>

Movements on the pension reserve are explained in **Note 38**.

**40 g) Revaluation Reserve**

The Revaluation Reserve contains the increases in the value of the Council's Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired;
- used in the provision of services and the gains consumed through depreciation; or

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

- disposed of and the gains are realised.

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

2017/18 £000's	2018/19 £000's
2,049 <b>Balance at 1 April</b>	<b>3,814</b>
2,773 Upward revaluation of assets	72
(21) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	0
<hr/> 2,752 Surplus or deficit on revaluation of non-current assets	<hr/> <b>72</b>
(1,210) Accumulated depreciation transferred from the capital adjustment account	(2)
(61) Difference between fair value depreciation and historical cost depreciation	(45)
284 Net gains / (losses) on prior disposals	0
<hr/> (987)	<hr/> <b>(47)</b>
<hr/> <b>3,814 Balance at 31 March</b>	<hr/> <b>3,839</b>

The £72k upward revaluation of assets relates to the Norden Car park site. The Council received approval for a grant in 2017/18 from the Coastal Communities Fund. The asset required a valuation in 2018/19 due to work which was carried out to refurbish the site. The public conveniences were refurbished and the playground was replaced. The work to the car park began in March and will continue into 2019/20. A full valuation of assets was carried out in 2017/18.

## **Note 41. Capital Expenditure and Capital Financing**

Capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is not financed there is an increase in the Capital Financing Requirement (CFR). A positive CFR represents the level of capital expenditure that needs to be financed by debt. As the Council's CFR is nil the Council is debt-free.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

2017/18		2018/19
£000's		£000's
0	<b>Opening Capital Financing Requirement</b>	<b>0</b>
	Capital Investment:	
2,121	Property, Plant and Equipment	911
(8)	Abortive project costs	0
70	Intangible Assets	12
393	Revenue Expenditure Funded from Capital under Statute	934
2,576		<b>1,858</b>
	Sources of finance:	
(1,142)	Capital Receipts	(869)
(90)	CIL Reserve	0
(1,182)	Government grants and other contributions	(223)
(162)	Direct revenue contributions from reserves	(766)
(2,576)		<b>(1,858)</b>
0	<b>Closing Capital Financing Requirement</b>	<b>(0)</b>

In 2018/19 the Council's most significant capital expenditure was for the purchase of three properties, which cost £715k, to provide temporary accommodation for homeless families.

In 2017/18 the principal capital project was the Quadrant Site Business Units project at Dorset Innovation Park which cost £2,060k in 2017/18. The project is now complete and the costs have been shared 50:50 with Dorset County Council.

Further details of Revenue Expenditure Funded from Capital Under Statute can be found at **Note 22**.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

## Cash Flow Statement Notes

The Cash Flow Statement identifies cash movements only and therefore the analysis in the following notes will not necessarily align with equivalent entries within the rest of the Statement of Accounts, which is based on income and expenditure and therefore includes debtor and creditor accruals.

### Note 42. Net Cash Flow from Operating Activities

The table below analyses the net cash flows from operating activities shown in the Cash Flow Statement.

2017/18 £000		2018/19 £000
<u>(800)</u>	<b>Net Surplus/(Deficit) on the Provision of Services</b>	<u>(1,554)</u>
	<b>Adjustment to surplus/(deficit) on the provision of services for non-cash movements</b>	
383	Depreciation	398
64	Amortisation	50
(12)	Revaluation gain	0
1,680	Impairment	0
2,833	Increase/(decrease) in Creditors	(2,909)
(1,268)	Increase/(decrease) in Debtors	899
	Increase/(decrease) in Inventories	(1)
916	Pension Liability	1,226
(1,012)	Other non-cash items charged to the net surplus or deficit on the provision of services	270
140	Carrying amount of non-current assets sold	103
<u>3,724</u>		<u>36</u>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
(1,541)	Capital grants credited to surplus of deficit on the provision of services	(926)
(762)	Proceeds from the sale of non-current assets	(829)
<u>(2,303)</u>		<u>(1,755)</u>
<u>621</u>	<b>Net Cash Flows from Operating Activities</b>	<u>(3,273)</u>

## Note 43. Cash Flow Operating Activities – Interest

The value of investment activities included in **Note 42**, is £145k in 2018/19, which compares to £69k in 2017/18.

## Note 44. Net Cash Flows from Investing and Financing Activities

### Investment Activities

The following table analyses net cash flows from investing activities:

2017/18 £000		2018/19 £000
(2,271)	Capital expenditure - purchase of property, plant and equipment, investment property and intangible assets	(923)
(73,300)	Purchase of short term investments	(8,280)
70,300	Proceeds from short term investments	9,500
762	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	829
610	Other receipts from investing activities	1,740
<u>(3,899)</u>	<b>Net cash flows from investing activities</b>	<u>2,866</u>
<u>4,164</u>	Billing authority council tax and NNDR adjustments	<u>(3,259)</u>
<u>4,164</u>	<b>Net cash flows from financing activities</b>	<u>(3,259)</u>

In 2018/19 the capital expenditure largely relates to the purchase of three properties, which will be used to provide temporary accommodation for homeless families. In 2017/18 the capital expenditure mainly relates to the development of the Quadrant Site business units at the Dorset Innovation Park.

The reduction in the value of short-term investments purchased and their proceeds reflects the increased use of money market funds, which are classified as cash and cash equivalents.

### Financing Activities

As the Council does not have any debt or financing leases the only net cash flow from financing activities relates to the billing authority council tax and NNDR adjustments. In 2018/19 this is a negative £3,259k compared to a positive £4,164k in 2017/18. This reflects the movement of the business rates from a surplus to a deficit between 2017/18 and 2018/19.

**Statement of Accounts 2018/19**  
**Notes to the Core Financial Statements – Cash Flow Statement**

# **Purbeck District Council**

## **Statement of Accounts 2018/19**

### **Section 3 Collection Fund**



Statement of Accounts  
Collection Fund

## The Collection Fund

The Collection Fund is an agent's statement that shows the transactions in relation to the collection of council tax and non-domestic rates from local taxpayers and the distribution of these funds to local public bodies and the Government.

Purbeck District Council is the billing authority for the Purbeck area and is responsible for the administration of the Collection Fund.

The Collection Fund Income and Expenditure Statement in the next table shows the overall position of the fund as well as the split between business rates and council tax. Separate statements and notes for business rates and council tax follow on from this section.

2017/18			2018/19		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
<b>Income</b>					
	35,356	35,356		37,504	37,504
13,293		13,293	14,945		14,945
(148)		(148)	(131)		(131)
(86)		(86)	(91)		(91)
354		354	198		198
(99)		(99)	(97)		(97)
2,522	(20)	2,502	(771)	(100)	(871)
15,836	35,336	51,172	<b>14,053</b>	<b>37,404</b>	<b>51,457</b>
<b>Expenditure</b>					
15,762	35,288	51,050	16,029	37,535	53,564
(7,896)	611	(7,285)	559	133	692
7,866	35,899	43,765	<b>16,588</b>	<b>37,668</b>	<b>54,256</b>
7,970	(563)	7,407	<b>(2,535)</b>	<b>(264)</b>	<b>(2,799)</b>
(7,901)	744	(7,157)	77	181	258
69	181	250	<b>(2,458)</b>	<b>(83)</b>	<b>(2,541)</b>

## Notes to the Collection Fund

### Business Rates (Non-Domestic Rates)

#### 1. Business Rates Income and Expenditure Statement

The following business rates Income and Expenditure Statement is a more detailed extract from the main Collection Fund Income and Expenditure Statement at the beginning of this section.

2017/18 Business Rates £000	2018/19 Business Rates £000	Notes
<b>Income</b>		
13,293 Business Rates Receivable	14,945	2
(148) Renewable Energy	(131)	3
(86) Enterprise Zone - Dorset Innovation Park	(91)	4
354 Transitional Protection Payments/Premiums	198	5
(99) Cost of Collection Allowance	(97)	6
(7) Net (Increase)/Decrease in Impairment Allowance	(97)	7
2,529 Net (Increase)/Decrease in Provision for Backdated Appeals	(674)	8
<u>15,836</u> <b>Total Net Income</b>	<u>14,053</u>	
<b>Expenditure</b>		
<b>2017/18 Payment of Shares</b>		
7,881 Central Government	8,015	9
6,305 Purbeck District Council	6,412	
1,418 Dorset County Council Precept	1,442	
158 Dorset and Wiltshire Fire & Rescue Authority Precept	160	
<u>15,762</u>	<u>16,029</u>	
<b>Surplus/(Deficit) 2016/17 Actual &amp; 2017/18 Estimate</b>		
(3,948) Central Government	279	10
(3,158) Purbeck District Council	224	
(711) Dorset County Council	50	
(79) Dorset and Wiltshire Fire & Rescue Authority Precept	6	
<u>(7,896)</u>	<u>559</u>	
<u>7,866</u> <b>Total Expenditure</b>	<u>16,588</u>	11
7,970 <b>Surplus/ (Deficit) for the year</b>	<b>(2,535)</b>	
(7,901) Surplus/ (Deficit) B/fwd 1 April	77	
<u>69</u> <b>Surplus/ (Deficit) C/fwd 31 March</b>	<u>(2,458)</u>	12

## 2. Business Rates Scheme

On 1 April 2013, a new system of business rates retention began in England. Before April 2013, all business rate income collected by councils formed a single, national pot, which was then distributed by Government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep up to half of business rates growth in their area by splitting business rates revenue into the 'local share' and the 'central share'.

The Government's central share is 50% of business rates. Local share tax base growth is retained within local government. In Purbeck the local share is split 40% to Purbeck District Council, 9% to Dorset County Council and 1% to the Dorset and Wiltshire Fire & Rescue Authority, with the Government receiving the 50% central share. This change gives financial incentives to councils to grow their local economies. At the same time, it has resulted in more risk and uncertainty for councils.

Growth in business rates is shared but the local authority share of the growth is restricted, and so the Government tends to benefit from growth to a greater extent than its local authority partners. The risk of business rate income falling within an area is also shared based on the percentage shares; however, this risk is limited by the use of a safety net to prevent a council's income from falling too far. This Council has been on the safety net since 2014/15, due to substantial refunds of business rates resulting from successful rating valuation appeals going back to the 2010 valuation list and some appeals back to the 2005 list. The Council came out of the safety net in 2017/18.

A new valuation list came into effect on 1 April 2017. The District Valuation Service has introduced a "check, challenge, appeal" methodology for processing appeals against the new list. The purpose was to speed up the process and place more emphasis on the ratepayer justifying their claim for a revaluation from the out-set, thereby avoiding the delays experienced in resolving appeals against the 2005 and 2010 valuation lists. However, there is little evidence that this system is working and appeals continue to remain outstanding against the 2010 list.

The amount individual businesses pay for business rates remains unaltered and is still set on a national basis. The Government specifies a rate in the pound that businesses need to pay, which was 49.3p in 2018/19 (47.9p in 2017/18). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their premises, as shown in the 2017 Rating List, by that rate in the pound. Since 1 April 2005, certain small businesses are entitled to receive Small Business Rates Relief and were subject to a lower multiplier of 48.0p in 2018/19 (46.6p in 2017/18).

The gross amount payable for 2018/19 was based on an aggregate rateable value as at the end of March 2019, for the Council's area of £42.170m (£41.849m for 2017/18). The original 2018 figure was £42.982m and has already dropped by £1.1m as a consequence of the net movement in rateable value appeals. The Income and Expenditure Statement shows that the business rate income after reliefs and provisions was £14.945m in 2018/19 (£13.293m for 2017/18).

### **3. Renewable Energy Sites**

The business rates income from new renewable energy projects is excluded from the rates retention scheme. This income is retained by the relevant local planning authority that approved the planning application for the renewable energy project, which could be either the County Council or District Council. So far, all planning approvals for renewable energy projects in Purbeck have been approved by this Council and so all of the income has been retained by the District Council. The income from renewable energy sites in 2018/19 was £131k, a slight reduction on the previous year of £148k.

### **4. Enterprise Zone – Dorset Innovation Park**

On 1 April 2017, the Council's joint venture with Dorset County Council and the Local Enterprise Partnership (LEP) at the Dorset Innovation Park achieved Enterprise Zone (EZ) status. The EZ seeks to promote advanced engineering and manufacturing and builds on existing strengths in marine, defence and energy-related activities. One of the benefits of the EZ is that qualifying businesses can benefit for up to five years from relief from business rates on new development within the first five years of achieving EZ status.

In addition to the benefits to the local area of business growth and an increase in jobs, in particular higher paid jobs, which will hopefully increase job prospects for local people and make housing more affordable, the growth in business rates from the EZ over a 25-year period is reinvested in the area to improve the local infrastructure needed to support the growing EZ. The LEP is responsible for delivering against the infrastructure plan. The Government reimburses the billing authority with the value of the business rate growth, which for 2018/19 was £91k (£86k in 2017/18). This money is held on behalf of the LEP until required to meet approved costs.

The EZ rates relief will reduce the funding available for distribution to the Government (50%), the billing authority (40%), Dorset County Council (9%) and the Fire and Rescue Authority (1%). However, these funds must be reinvested locally and will benefit the area in the longer term.

### **5. Transitional Protection Payments/Premiums**

Businesses are protected from significant increases in their business rates payable by transitional protection payments. These payments smooth the transition from the old to the new rates payable over a number of years. The Government reimburses Collection Funds for this loss of business rate income.

If a business benefits from a significant reduction in business rates a transitional premium is added to smooth the reduction down to the new level payable. The intention is that, across the country, the premiums will pay for the protection payments with a neutral effect overall.

The net transitional protection payments for 2018/19 of £198k (£354k in 2017/18) reflect the impact of the new rateable values from 1 April 2017 and the provision of relief to smooth the increase for businesses and demonstrates that predominantly, where rateable values moved significantly, they went up, increasing the rates payable.

## 6. Cost of Collection

The Government allows the billing authority an allowance towards the cost of collecting the business rates, which is retained from the business rate income before distribution. In 2018/19, this figure was £97k and is set by the Government.

## 7. Impairment Allowance

In calculating this allowance the age of the debt and likelihood of recovery are taken into account. The movements on the impairment allowance are shown below.

2017/18 £000's	2018/19 £000's
168 Allowance b/fwd	128
(47) Write-offs in year	(67)
<u>7</u> Change in impairment allowance	<u>97</u>
<u>128</u> <b>Allowance c/fwd</b>	<u>158</u>

Gross arrears, excluding costs, are £307k at 31 March 2019 and £361k at 31 March 2018.

## 8. Backdated Appeals Provision

This provision relates to the impact of successful appeals against prior years. The partial localisation of business rates has passed the risks relating to outstanding appeals at the end of the national scheme at 31 March 2013, and all future appeals, from the national pool, to being shared 50% with local authorities.

Since 2013, the District Valuation Service has been clearing appeals against both the 2005 and 2010 rating lists. This has meant that the backdated element of any successful appeal has gone back a number of years. The district's area includes two substantial ratepayers, the Ministry of Defence (MoD) at 9% of the tax base and Wytch Farm Oil Field at 25%. Due to the potential size of these rating appeals and the very high percentage reduction in rateable value typically being achieved since the Government put the District Valuation Service under pressure to clear the backlog, the Council has set up a substantial backdated appeals provision. The size of this provision has resulted in the Council being on the safety net for business rates from 2014/15 until 2017/18.

The MoD appeals have now largely been settled and the backdated element charged to the provision. In 2016/17, the Wytch Farm Oil Field appeal was largely settled and resulted in a backdated refund of £4.7m and a £2.5m refund to the Government for transitional relief previously granted to the site.

During 2016/17, a total £5.1m was charged against the provision including the £4.7m in respect of Wytch Farm Oil Field. It was necessary to increase the provision to reflect the potential risk of further backdated reductions in rateable values based on the Valuation List.

## Statement of Accounts – Collection Fund

In 2017/18, a further Wytch Farm Oil Field appeal was settled, resulting in backdated refunds totalling £1.678m which were funded from the provision. In addition a £0.5m in-year refund was also generated and reduced the income in 2017/18.

A summary of the movement in the provision for backdated appeals is shown in the table below.

2017/18 £000's	2018/19 £000's
3,897 Provision b/fwd	1,368
(2,238) Amounts charged to the provision	(1,368)
(291) Reduction in provision	2,042
<u>1,368</u> Provision c/fwd	<u>2,042</u>

The total backdated appeals provision of £2.042m is shared as follows:

2017/18 £000's	2018/19 £000's
684 Central Government	1,021
547 Purbeck District Council	817
123 Dorset County Council	184
14 Dorset and Wiltshire Fire & Rescue Authority	20
<u>1,368</u> <b>Total Backdated Appeals Provision</b>	<u>2,042</u>

Each of the above public bodies holds this share within their own accounts. This Council's share of £817k, is held as a provision on the Balance Sheet.

### 9. Payment of Shares

The 2018/19 payments from the fund are based on estimates for the year of £16.029m, plus the surplus brought forward of £559k, giving a net distribution of £16.588m.

### 10. Surplus / (Deficit)

Due to the complex accounting arrangements around the Collection Fund, it takes two financial years before prior year deficits are fully recovered. The remaining deficit from 2016/17, was recovered in 2018/19, together with an estimate of the 2017/18 deficit. Together these totalled £559k. 2018/19 has seen the Fund recover all of the deficits from prior years created by the backdated appeals, leaving a deficit of £2.466m to carry forward into 2019/20.

## Statement of Accounts – Collection Fund

### 11. Total Expenditure

The table below shows how the net payment of business rates was calculated for each of the public bodies.

2017/18 £000's		2018/19 £000's
<b>Central Government</b>		
7,881	Distribution based on estimate	8,015
(3,948)	Share of deficit	279
3,933	Sub total	<b>8,294</b>
<b>Purbeck District Council</b>		
6,305	Distribution based on estimate	6,412
(3,158)	Share of deficit	224
3,147	Sub total	<b>6,636</b>
<b>Dorset County Council</b>		
1,418	Distribution based on estimate	1,442
(711)	Share of deficit	50
707	Sub total	<b>1,492</b>
<b>Dorset and Wiltshire Fire &amp; Rescue Authority</b>		
158	Distribution based on estimate	160
(79)	Share of deficit	6
79	Sub total	<b>166</b>
7,866	<b>Total expenditure</b>	<b>16,588</b>

### 12. Deficit for the Year

The 2018/19 business rates deficit will be recovered in 2020/21. The partners' share of the current deficit is set out in the table below:

2017/18 £000's		2018/19 £000's
34	Central Government	(1,229)
28	Purbeck District Council	(984)
6	Dorset County Council	(220)
1	Dorset and Wiltshire Fire & Rescue Authority	(25)
69	<b>Total surplus/(deficit)</b>	<b>(2,458)</b>

Purbeck District Council's share of the deficit is shown on the Balance Sheet in Unusable Reserves. The surplus relating to the other bodies is included within creditors on the Balance Sheet.

## Statement of Accounts – Collection Fund

### Council Tax

#### 1. Council Tax Income and Expenditure Statement

The following council tax Income and Expenditure Statement is an extract from the main Collection Fund Income and Expenditure Statement at the beginning of this section.

2017/18 Council Tax £000	2018/19 Council Tax £000	Notes
<b>Income</b>		
35,356 Council Tax Receivable	37,504	2 - 4
<span style="color: red;">(20)</span> Net (Increase)/Decrease in Impairment Allowance	<span style="color: red;">(100)</span>	5
<u>35,336</u> <b>Total Net Income</b>	<u>37,404</u>	
<b>Expenditure</b>		
<b>Payment of 2018/19 Demands</b>		
3,475 Purbeck District Council	3,604	6
<u>1,482</u> Local Preceptors	<u>1,596</u>	7
4,957 Purbeck District Council - Combined	5,200	
25,279 Dorset County Council Precept	26,977	
3,707 Dorset Police & Crime Commissioner Precept	3,963	
<u>1,345</u> Dorset and Wiltshire Fire & Rescue Authority Precept	<u>1,395</u>	
35,288	<b>37,535</b>	
<b>Surplus/(Deficit) 2016/17 Actual and 2017/18 Estimate</b>		
86 Purbeck District Council	19	8
435 Dorset County Council	95	
66 Dorset Police & Crime Commissioner Precept	14	
<u>24</u> Dorset and Wiltshire Fire & Rescue Authority Precept	<u>5</u>	
611	<b>133</b>	
<u>35,899</u> <b>Total Expenditure</b>	<u>37,668</u>	9
<span style="color: red;">(563)</span> <b>Surplus/(Deficit) for the year</b>	<span style="color: red;">(264)</span>	
744 Surplus/(Deficit) B/fwd 1 April	181	
<u>181</u> <b>Surplus/ (Deficit) C/fwd 31 March</b>	<u><span style="color: red;">(83)</span></u>	10

## Statement of Accounts – Collection Fund

### 2. Council Tax Background

Council tax is a tax on domestic property which was introduced in 1993, by the Local Government Finance Act 1992. Each property is assigned one of eight bands (A to H) based on the property value on 1 April 1991, property values being independently assessed by the Listing Officer of the Valuation Office Agency (HM Revenue & Customs). The tax is set as a fixed amount for each band, plus town and parish council precepts. Some property is exempt from the tax, some people are exempt from the tax and some people get a discount, e.g. the 25% single person discount if only one eligible person lives in the property, and council tax support if the household is assessed as needing financial support to pay the tax.

Council tax charges in the district are based on the amount of income required from council tax for the coming year by: Purbeck District Council (the billing authority); Dorset County Council; the Dorset Police and Crime Commissioner; and the Dorset and Wiltshire Fire & Rescue Authority (the major preceptors). The total value of these council tax demands is divided by the tax base, to arrive at a charge for a Band D property. The precepts for Purbeck's town and parish councils are then added in the appropriate areas.

The table below shows how the tax base is calculated. Column A shows the number of dwellings in each band, which is reduced in column B to show the number of dwellings after deduction of exemptions, discounts and other allowances. The number of effective dwellings in column B, is multiplied by its proportion to a Band D property, shown in column C, to arrive at the tax base for each Band shown in column D. The total of column D is the tax base for the district, which for 2018/19 is 19,182.31 (19,052.10 in 2017/18).

#### Council Tax

Property Band	A Number of dwellings	B Dwellings after discounts etc.	C Proportion of Band D	D Number of Band D equivalents
A	1,483	929.11	6/9ths	619.41
B	2,869	1,896.14	7/9ths	1,474.78
C	6,967	5,411.58	8/9ths	4,810.29
D	4,928	4,236.71	1	4,236.71
E	3,218	2,892.60	11/9ths	3,535.40
F	1,855	1,699.12	13/9ths	2,454.28
G	1,047	971.64	15/9ths	1,619.40
H	102	84.50	2	169.00
	<u>22,469</u>	<u>18,121.40</u>		<u>18,919.27</u>
				<u>310.80</u>
				19,230.07
				<u>(47.76)</u>
				<b><u>19,182.31</u></b>

## Statement of Accounts – Collection Fund

### 3. Council Tax Support

Prior to 2013/14 some households' council tax liability was met by council tax benefit, which appeared in the Collection Fund as a different income source. From 1 April 2013, the Government localised council tax benefits and billing authorities had to design their own schemes for council tax support. Under the localised schemes the former 'benefit' became a 'discount', which reduces the council tax liability. This new discount for council tax support is now part of the Collection Fund and, as it reduces the liability, it also reduces the council tax base.

The council tax support for 2018/19 was £3.371m, which is very similar to 2017/18 when it was £3.225m.

### 4. Council Tax Charges

Authority	Council Tax		
	2017/18 £	2018/19 £	Increase %
Dorset County Council	1,326.87	1,406.34	5.99%
Dorset Police & Crime Commissioner	194.58	206.58	6.17%
Purbeck District Council	182.41	187.86	2.99%
Dorset & Wiltshire Fire & Rescue Authority	70.59	72.70	2.99%
<b>Sub Total</b>	<b>1,774.45</b>	<b>1,873.48</b>	<b>5.58%</b>
Town & Parish average	77.77	83.21	6.99%
<b>Total Band D Council Tax</b>	<b>1,852.22</b>	<b>1,956.69</b>	<b>5.64%</b>

### 5. Impairment Allowance

In calculating the allowance the age of the debt and likelihood of recovery are taken into account. The table below shows the movements on the impairment allowance:

2017/18 £000's	2018/19 £000's
475 Allowance b/fwd	464
(31) Write-offs in year	(15)
20 Change in impairment allowance	100
<u>464</u> Allowance c/fwd	<u>549</u>

Gross arrears, excluding costs, are £1,931k, at 31 March 2019 and £1,701k at 31 March 2018. This is an increase of £230k.

### 6. Payment of Demands (Precepts)

The payments from the Collection Fund are based on the demands from each of the major preceptors, local preceptors and the billing authority for the year.

## Statement of Accounts – Collection Fund

### 7. Town and Parish Local Precepts

The billing authority and major preceptors' band D council tax is the same value across the district. However, council tax charges can vary if there is a local precept for the town or parish council. The local precept is dependent on how much money the relevant town or parish council needs to be raised through council taxes and the number of properties available in the area against which to raise that money.

As the billing authority, this Council acts on behalf of the local preceptors and so Purbeck's demand on the Fund includes the £1,596,123 precepted for 2018/19 (£1,481,597 in 2017/18), by the local preceptors. For clarity this is shown separately in the Income and Expenditure Statement. The Council draws the council tax from the Fund and pays the precept to the relevant town or parish council half-yearly. This also means that this Council bears the cost of any deficit, or benefits from any surplus, relating to the local precept element of the billing authority's share of the Collection Fund. Local preceptors are therefore protected from any volatility in the performance of the Fund.

Precepts for town and parish councils are shown below:

2017/18 £000's	<b>Town / Parish</b>	<b>2018/19 £000's</b>
9	Affpuddle/Turners Puddle & Briantspuddle	10
33	Arne Parish	35
50	Bere Regis Parish	54
0	Bloxworth Parish	0
4	Chaldon Herring Parish	4
7	Church Knowle Parish	7
0	Coombe Keynes Parish	0
28	Corfe Castle/Kingston Parish	30
0	East Holme	0
3	East Lulworth Parish	3
9	East Stoke Parish	9
0	Kimmeridge Parish	0
23	Langton Matravers Parish	26
59	Lytchett Matravers Parish	66
203	Lytchett Minster & Upton Town	232
4	Morden Parish	4
8	Moreton Parish	8
0	Steeple Parish	0
40	Studland Parish	45
704	Swanage Town	718
40	Wareham St. Martin Parish	42
166	Wareham Town	209
18	West Lulworth Parish	18
11	Winfrith Newburgh/East Knighton Parish	12
63	Wool/East Burton & Bovington Parish	64
0	Worth Matravers Parish	0
<u>1,482</u>	<b>Local (Town &amp; Parish) Precept</b>	<u><b>1,596</b></u>

## 8. Surplus / (Deficit) Adjusted for in Year

In addition to paying the annual precept, further payments are made from the Fund to distribute any prior year surpluses or deficits. Due to the complex accounting arrangements around the operation of the Collection Fund, it takes two financial years before prior year surpluses are fully paid or deficits fully recovered. To speed up this recovery process it is possible to either distribute part of an estimated surplus, or recover an estimated deficit the following financial year by declaring an in-year surplus or deficit. Surpluses are distributed and deficits recovered, on the same ratio as the distribution of council tax demands in the relevant year.

In 2018/19, the final surplus from 2016/17, and the declared estimated deficit for 2017/18, totalled £134k and were distributed in 2018/19. The table below shows the build-up of the £134k surplus:

Total 2017/18 £000's		Total 2016/17 £000's	2017/18 Estimate £000's	Total 2018/19 £000's
130	Dorset County Council	49	46	96
25	Purbeck District Council	10	9	19
19	Dorset Police and Crime Commissioner	7	7	14
7	Dorset and Wiltshire Fire & Rescue Authority	3	2	5
<b>181</b>	<b>Total Collection Fund Surplus / (Deficit)</b>	<b>69</b>	<b>64</b>	<b>134</b>

## 9. Total Expenditure

The table below shows the net payments made from the Fund to the billing authority and major preceptors in respect of 2018/19.

## Statement of Accounts – Collection Fund

2017/18 £000's		2018/19 £000's
<b>Purbeck District Council</b>		
4,957	Precept (including local precepts)	5,200
<u>86</u>	Share of surplus/(deficit)	<u>19</u>
5,043	Total Distribution	<b>5,219</b>
<b>Dorset County Council</b>		
25,279	Precept	26,976
<u>435</u>	Share of surplus/(deficit)	<u>96</u>
25,714	Total Distribution	<b>27,072</b>
<b>Dorset Police and Crime Commissioner</b>		
3,707	Precept	3,963
<u>66</u>	Share of surplus/(deficit)	<u>14</u>
3,773	Total Distribution	<b>3,977</b>
<b>Dorset and Wiltshire Fire &amp; Rescue Authority</b>		
1,345	Precept	1,394
<u>24</u>	Share of surplus/(deficit)	<u>5</u>
1,369	Total Distribution	<b>1,399</b>
<u>35,899</u>	<b>Grand Total</b>	<u><b>37,667</b></u>

### 10. Surplus / (Deficit) for the Year

The council tax deficit of £83k for 2018/19, is made up of prior year balances and is shared as follows:

Total 2017/18 £000's		2017/18 Balance £000's	2018/19 Deficit £000's	2018/19 <b>Total</b> <b>£000's</b>
130	Dorset County Council	530	(594)	(64)
25	Purbeck District Council	105	(87)	18
19	Dorset Police and Crime Commissioner	80	(31)	49
7	Dorset and Wiltshire Fire & Rescue Authority	29	(115)	(86)
<u>181</u>	<b>Total Collection Fund Surplus / (Deficit)</b>	<u>744</u>	<u>(827)</u>	<u>(83)</u>

Purbeck District Council's share is shown on the Balance Sheet in the Unusable Reserves. The surplus relating to the other public bodies is included within creditors on the Balance Sheet.

**Statement of Accounts – Collection Fund**

# **Purbeck District Council**

## **Statement of Accounts 2018/19**

### **Section 4 Glossary of Terms and Acronyms**



## **Glossary of Terms**

### **Accounting Policies**

The principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are reflected in its financial statements.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Assets**

Items that are of value and are measurable in terms of money. These are divided into current assets and long-term assets.

### **Actuarial Gains & Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) the actuarial assumptions have changed.

### **Amortised**

Treating as an expense the annual value of a fixed asset deemed to have been used.

### **Balance Sheet**

A statement of recorded assets, liabilities and other balances at a specified date, this statement shows the net assets and total reserves of the business.

### **Balances and Usable Reserves**

These represent the accumulated monies of the authority. General Fund Balances may be utilised to reduce the council tax. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

### **Billing Authority**

The authority with the task of collecting council tax from within its geographical area.

### **Budget**

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

### **Capital Expenditure**

Expenditure on the acquisition of a long-term asset or expenditure, which adds to, and not merely maintains, the value of an existing long-term asset.

## Statement of Accounts – Glossary of Terms

### **Capital Receipts**

Income from the sale of long-term assets which can be used to finance additional capital expenditure or pay off debt.

### **Cash Flow Statement**

A statement summarising the inflows and outflows of cash from transactions between the Council and third parties for revenue and capital purposes.

### **Charging Authority**

The authority responsible for administering the Collection Fund and raising, collecting and distributing to precepting authorities council tax.

### **Collection Fund**

Is an agent's statement reflecting the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

### **Council Tax**

A charge on the residential property within the authority's area to finance a proportion of the authority's expenditure.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period, and from one accounting period to the next, is the same.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is over and above that which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is no logical basis for apportioning these costs to services.

### **Creditors**

Amounts owed by the authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

### **Current Assets**

Assets that can be expected to be consumed or realised during the next accounting period.

## Statement of Accounts – Glossary of Terms

### **Current Liabilities**

Amounts that will become due or could be called upon during the next accounting period.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Curtailment**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected, and
- b) termination, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Debtors**

Amounts due to the authority for goods or services provided within the accounting period but not received at the balance sheet date.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme where the rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the long-term asset that have been consumed in the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

### **Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **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.

### **Events After the Balance Sheet Date**

These are events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

## Statement of Accounts – Glossary of Terms

### **Extraordinary Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

### **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Lease**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a long-term asset to the lessee.

### **General Fund**

The main account of the authority which records the cost of service provision.

### **Going Concern**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

### **Government Grants**

Payments by Central Government towards the cost of local authority services either specifically (e.g. homeless prevention grants) or generally (e.g. revenue support grant).

### **Impairment of Assets**

Where there is reason to believe that the value of a fixed asset has decreased materially in the period, the valuation is adjusted accordingly; this adjustment is known as impairment.

### **Infrastructure Assets**

Long-term assets that are inalienable, expenditure which is recoverable only by continued use of the asset created. Examples of this are coast protection and flood alleviation.

### **Intangible Assets**

Non-financial long-term assets that do not have physical substance and are controlled by the entity through custody or legal rights. An example is computer software.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **International Financial Reporting Standards (IFRS)**

These accounting standards have replaced UK Generally Accepted Accounting Practices as the basis upon which the Council's accounts are produced.

### **Leasing**

A method of financing tangible assets where a rental is paid over a period of time. A Finance Lease involves the payment of the full cost of the asset and at the end of the leasing period the asset will belong to the authority. An Operating Lease involves the payment of a rental for the use of the asset and at the end of the leasing period the asset is returned to the lessor.

### **Liability**

An amount due to an individual or organisation which will be paid at some future date.

### **National Non-Domestic Rates (NNDR)**

The amount raised from businesses to fund local authority services. An NNDR poundage is set annually by Central Government and collected by billing authorities. The proceeds are redistributed by the Government between local authorities.

### **Net Book Value**

The amount at which long-term assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating an asset in its existing condition and its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Realisable Value**

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **Non-current Assets**

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

### **Non-operational Assets**

Long-term assets held by the Council but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operational Assets**

Long-term assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

### **Past Service Cost**

For a defined benefit 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 improvements to, retirement benefits.

## Statement of Accounts – Glossary of Terms

### **Precepts**

The method by which a non-billing authority obtains the income from council tax it requires to fund its expenditure by making a levy on the relevant billing authorities in its area.

### **Precepting Authority**

Local authorities which cannot levy a council tax directly on the public but have the power to precept billing authorities.

### **Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The scheme liabilities at the valuation date relate to:

- a) benefits for pensioners and deferred pensioners (individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing, where appropriate, for future increases; and
- b) accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

### **Provisions**

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

### **Prior Period Adjustments**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

### **Related Party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made.

### **Reserves**

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- a) an employer's decision to terminate an employee's employment before the normal retirement date; or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure which does not result in, or remain matched with assets.

### **Revenue Support Grant (RSG)**

A general central government grant paid to the Comprehensive Income and Expenditure Statement in support of the authority's revenue expenditure.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Settlement**

An irrevocable action that relieves the employer or the defined benefit scheme of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Section 151 Officer**

Officer appointed by Council to act as the "proper finance officer" of the Council with legal responsibilities under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Act 1988 to ensure that expenditure incurred by the Council is lawful and that expenditure does not exceed resources.