

Financial Statements 2017/18



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INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset County Council for the period from 1 April 2017 to 31 March 2018.

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

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

The County Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by three outcome-focused overview and scrutiny committees. These are the Economic Growth Committee; the Safeguarding Committee and the People and Communities Committee. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the councils stated priority outcomes; that people in Dorset are safe, healthy and independent and that Dorset's economy is prosperous. Each of these committees meet, formally on a quarterly basis to provide the necessary support and challenge and when necessary, have the powers to call additional meetings. In addition, the Audit and Governance Committee provides oversight of the Council's conduct, financial, risk, performance and constitutional issues. An informal Overview and Scrutiny Management Board is also in place to discuss and coordinate the work across these committees. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Health Scrutiny Committee, Regulatory Committee, School Appeals etc.

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

Certification by Chief Financial Officer

I certify that these Financial Statements give a true and fair view of the financial position of Dorset County Council and of its financial performance for the year ended 31 March 2018.

These Financial Statements were authorised for issue as draft, subject to audit, on 30th April 2018 and authorised again as a final, audited set of financial statements on 29th June 2018.



Richard Bates
Chief Financial Officer

29th June 2018

A handwritten signature in black ink, appearing to read 'R. Bates', written over a faint, illegible stamp or watermark.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNTY COUNCIL
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dorset County ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Fund Account and Net Assets Statement for the Dorset County Pension Fund and the related notes, including the accounting policies in Appendix A and the Pension Fund accounting policies in Appendix B.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Dorset County Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

Going concern

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

Other information published with the Statement of Accounts

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

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

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 24, the Chief Financial Officer is responsible for: the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's

report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

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

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

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

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

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

Statutory reporting matters

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

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

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

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

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 23 July 2018

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

Due to the Pension Fund Annual Report not being prepared by 23 July 2018

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



Jonathan Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

23 July 2018

NARRATIVE STATEMENT TO THE ACCOUNTS

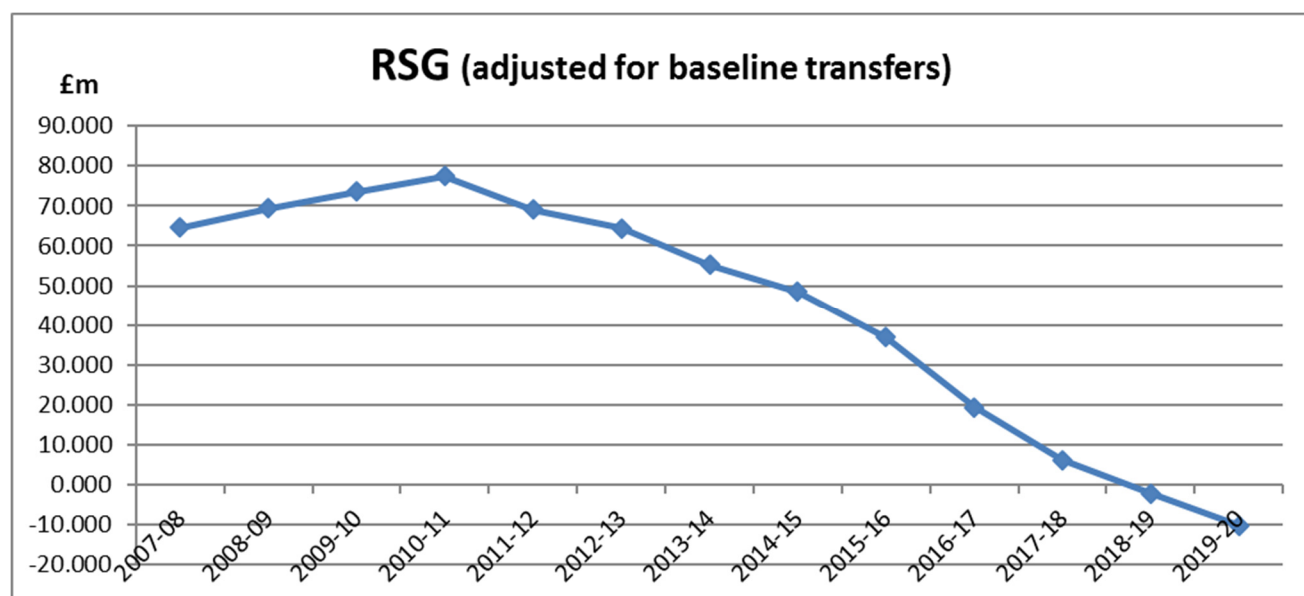
Financial performance against budget

Performance against the approved, revenue budget for the year to 31 March 2018 was an overspend of £4.9m against service budgets (2017: £5.3m). This was offset by underspends of £5.1m on central budgets - mainly the contingency fund, capital financing and corporate costs. The net performance was therefore an underspend of £0.2m. The analysis of performance against budget and how this feeds through to movements in the Authority's General Fund is shown in the Expenditure and Funding Analysis (EFA).

The 2017/18 budget was the second to be based on the Government's Spending Review 2015 (SR2015) and the second year of four included in a multi-year financial settlement offered to all English Local Authorities. As part of the Medium Term Financial Plan (MTFP) Members gave careful consideration to the risks of accepting this four-year offer, especially given the impact that the funding method had on the County Council's Revenue Support Grant (RSG) in later years. Dorset County Council was one of the 97% of councils in England that agreed a four-year deal, which gave rise to an efficiency plan (available on www.dorsetforyou.com) which was approved by Cabinet on 14th December 2016.

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

Chart 1



When added to demographic, price and other upward pressures on expenditure, this resulted in a budget gap of more than £18m for the year. By the time the 2018/19 budget round had also concluded this took the County Council's targeted savings total to nearly £127m since 2011, as shown in Chart 2.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 2

SAVINGS SUMMARY	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
- Adult and Community Services	8,104.0	5,179.8	8,628.0	3,900.0	9,050.0	1,602.0	7,110.0	9,382.0	48%
- Children's Services	4,020.9	2,089.1	2,063.2	1,344.0	900.0	3,865.0	4,178.6	6,333.0	23%
- Environment & Economy	6,029.8	2,778.5	2,110.2	722.0	1,664.0	2,346.0	4,473.0	1,639.0	20%
- Chief Executive	2,264.8	971.8	1,498.7	896.0	930.0	1,214.0	1,132.0	964.0	9%
- Public Health (DCC savings only)				500.0	275.0	1,375.0	700.0		
- Dorset Waste Partnership							700.0	455.0	
- Overarching	5,169.5	2,125.8	2,231.6	1,050.0	2,450.0	576.0			
Total	25,589.0	13,145.0	16,531.7	8,412.0	15,269.0	10,978.0	18,293.6	18,773.0	

Cumulative total **25,589.0 38,734.0 55,265.7 63,677.7 78,946.7 89,924.7 108,218.3 126,991.3**

The County Council identifies savings through its *Forward Together* transformation programme, which is managed by the Forward Together Board. The Board comprises The Chief Executive and Directors and Members of the Cabinet. Despite an excellent track record of success, achieving savings from a budget which is continually reducing in real terms is extremely challenging. 2016/17 was the first year in which savings targets were not all achieved, with a shortfall of £2.7m. The Council also fell £3.4m short of its £18m savings target in 2017/18 though it is important to note that other short-term measures to reduce costs were taken during the year, to help protect the overall budget position.

Chart 3 summarises the savings achieved during the year to 31 March 2018.

Chart 3

Summary - all Forward Together savings 2017/18

2017/18			
Savings measure	Target	Achieved	Not achieved
	£000	£000	£000
Adults	7,110	5,242	1,868
Childrens	4,179	3,479	700
Env & Economy	3,858	3,360	498
Chief Exec's	1,747	1,450	297
Public Health	700	700	-
Dorset Waste Partnership	700	700	-
Summary - All Savings 2017/18	18,294	14,931	3,363

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

Performance

The County Council uses an outcomes framework approach in its corporate planning (available on www.dorsetforyou.com). This comprises four outcomes; that people in Dorset are **safe, healthy and independent** and that Dorset's Economy is **prosperous**. To enable these key outcomes to be tracked and monitored the Cabinet, together with the Audit and Governance and Overview and Scrutiny Committees, are provided with 'outcomes focused monitoring reports' which provide data to help assessment and challenge to take place. These reports are available to the public through accessing the committee reports via dorsetforyou.com.

NARRATIVE STATEMENT TO THE ACCOUNTS

Through this process elected members are able to make balanced judgements as to whether they have the required assurance that satisfactory progress is being made against the Corporate Plan. Equally, where necessary, they are able to commission further oversight and scrutiny work into areas of interest and/or concern to achieve a fuller understanding and identify potential improvement opportunities. Ultimately the County Council will want to ensure that its activity is making a positive contribution to the achievement of these outcomes and in essence, answer the key question; are we making a difference?

There is a monthly Adult & Community Services Budget and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate scorecard, covering all aspects of the Directorate's performance. All Budget Managers are also required to submit a performance report for these meetings covering their budget, HR and operational performance.

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

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

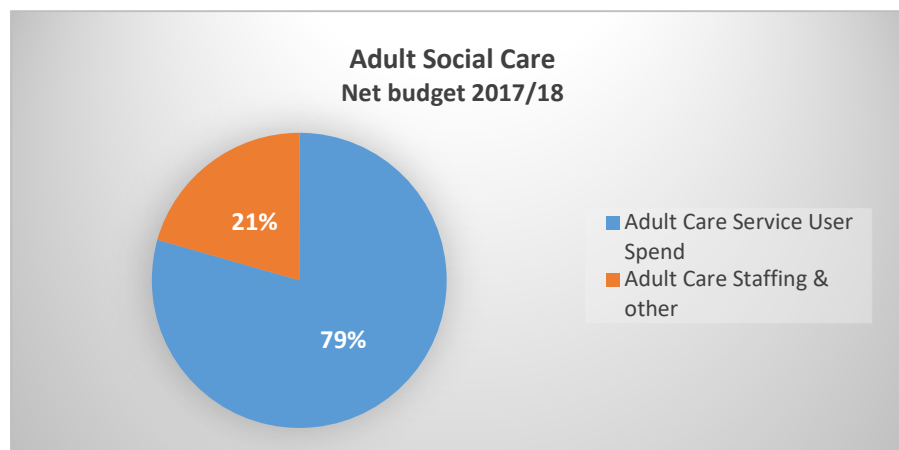
Both financial and operational performance are considered on a monthly basis via the Dorset Waste Partnership Senior Leadership Team meetings.

Adults and Community Services

Adult and Community Services is the largest Directorate in the County Council. The Directorate's approved, net, revenue budget for 2017/18 was £126.2m. This was 49% of the County Council's budget.

The Adult Social Care element of this budget was £118.6m and was spent as shown in Chart 4 below.

Chart 4



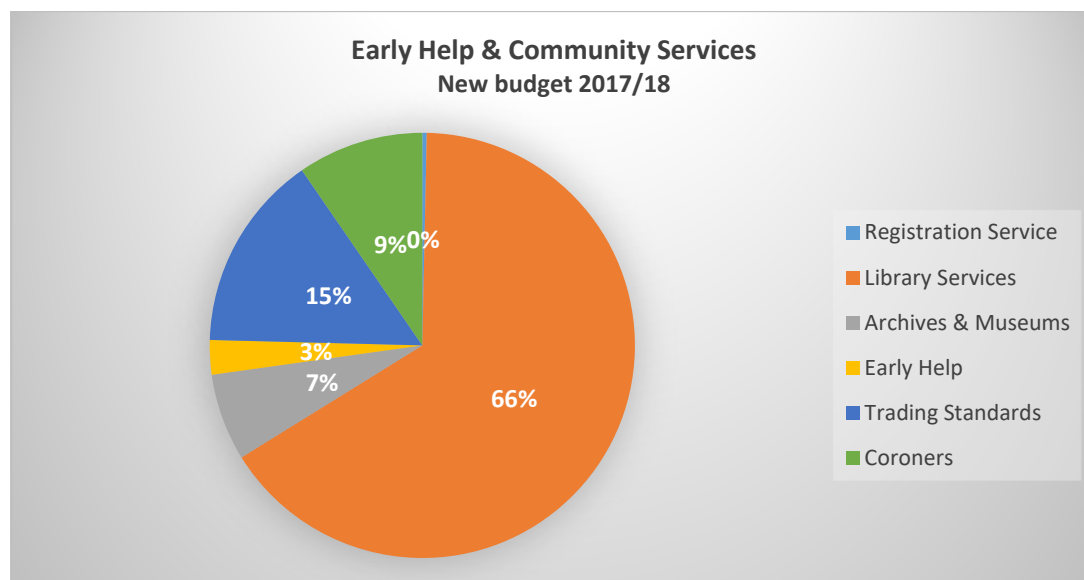
The gross budgeted spend was £154m. In line with national trends, the cost of adult social care services in Dorset continues to rise and is predicted to do so for many years to come.

NARRATIVE STATEMENT TO THE ACCOUNTS

The key factors affecting spend are increased costs of care through increasing off-framework purchasing and lack of market management; pick-up of Continuing Health Care cases; “capital below” cases and increasing acuity or complexity of packages of care.

The Community services element of the budget totalled £7.5m as shown in Chart 5 below:

Chart 5



Improved Better Care Fund (BCF) monies totalling £7.4m were received in 2017/18. These formed a part of a system-wide BCF plan, developed by the Clinical Commissioning Group (CCG) and the local authorities under the governance of the Dorset Health & Wellbeing Board. The national guidance for the BCF requires the Clinical Commissioning Group and the County and District Councils to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents. The combined funds totalled £136.7m with DCC contributing £73m. See Chart 6 below.

Chart 6

BETTER CARE FUND POOLED BUDGET 2017/18			
Dorset Health & Wellbeing Board			
Scheme Description (Application of funds)	Scheme value	Total Health	Total LA
	£'000	£'000	£'000
Carers	1,135	1,135	-
Integrated Health & Social Care Locality Teams	18,571	18,571	-
Maintaining Independence	13,994	7,032	6,962
High Impact Changes Implementation/Supported Hospital Discharge	8,248	5,960	2,288
Moving on from Hospital Living	5,398	3,897	1,501
Strong and Sustainable Care Markets	89,372	27,102	62,270
Better Care Fund Total (Dorset HWB)	136,718	63,697	73,021

NARRATIVE STATEMENT TO THE ACCOUNTS

The economic situation continues to be extremely challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to service users. The Directorate remains committed to a savings programme of £9.3m in 2018/19 to balance the budget, including initiatives to review the appropriateness of many packages of care, increase income and make efficiency savings.

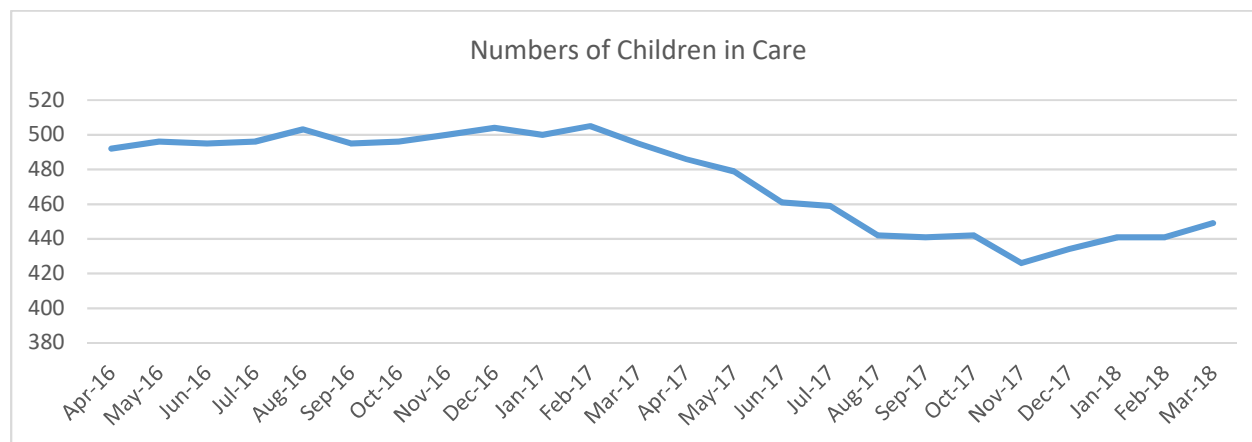
Children's Services

Children's Services contributes to the County Council's corporate plan through working with others to ensure that children and young people are safe, healthy, independent and the county is prosperous. Children's Services has overall safeguarding responsibility for more than 82,000 children across the county. There are 173 schools in the Dorset area; 105 LA maintained schools and 68 academies or free schools.

Children in care

As part of its safeguarding role the county council is responsible for providing care for children and young people that can't be looked after by their families. There was a reduction in the number of children taken into care during 2017/18 compared with 2016/17, through early intervention work and permanency planning. The proportion of children in care on 31st March 2017 was 63 per 10,000 compared with the national figure of 62 per 10,000. During 2017/18 this was reduced and reached 59 per 10,000 by 31st March 2018. This is still higher than our statistical neighbours and work continues to reduce this further. Chart 7 shows the recent numbers of children in care.

Chart 7



In line with national trends, the cost of providing care for children continues to be a challenge. There are more children, with increasingly complex needs being placed in higher-cost, residential placements or in independent fostering placements. This has led to increased focus on modernising the County Council's fostering service; to increase the number of foster carers available locally and to ensure they can meet the needs of the most vulnerable children. In addition, there has been increased emphasis on market management through regional collaboration to increase the number of places available locally and seek to reduce costs. This work continues.

Child protection

Reducing the number of children subject to a child protection plan was a priority for the financial year just closed and there has been a pleasing reduction. The rate of children subject to a child protection plan on 31st March 2017 was 51 per 10,000. This was significantly higher than the national rate of 41 per 10,000. On 31st March 2018 the rate has reduced to 33 per 10,000 lower than current national and statistical neighbours' rates.

NARRATIVE STATEMENT TO THE ACCOUNTS

The directorate continues to focus on good multi-agency working by social workers, safeguarding staff and partners agencies and recognises the importance of ensuring social workers have time to work with families. We are working to recruit more social workers and running a development programme for all social workers, called *Reinvigorating Social Work*, funded through an innovation grant from the Department for Education.

Persistent absence from school

Persistent absence is a serious problem for pupils. Much of the learning that children miss when they are away from school is never recovered, leaving them at a considerable disadvantage for the remainder of their school life. Children who are missing from school are also more vulnerable to exploitation. Responsibility for pupil absence primarily rests with the parent/carer, with schools responsible for monitoring and encouraging attendance where there are problems. The local authority supports this role through the offer of early help where appropriate and providing an enforcement role for parents/carers who fail to ensure that their children attend school regularly.

The proportion of Dorset pupils who were persistently absent from school in 2017 was 11.2%, slightly higher than the national level of 10.8%. This is a bigger problem in secondary schools (14.6%) than in primary schools (7.3%). Children's Services continue to invest in early intervention in order to reduce demand for more costly specialist services. By giving the right help early on, children's lives improve and families feel more able to help themselves. One of the ways we are doing this is through our seven family partnership zones, which bring together professionals in local areas to work together on supporting families. This includes a range of different ways of working with families including parenting programmes, targeted youth work, family work and children's centre activities.

Special Educational Needs and Disabilities

Following an inspection of area arrangements of success in implementing the Special Educational Needs Reforms in January 2017, more resources were made available to improve services. There have been notable improvements in performance in this area, particularly in ensuring that statements of special education needs were transferred to Education, Health and Care Plans by the end of March (2018) deadline. On the 31st March 2017 only 21% of this work had been completed, which was lower than nationally (32.7%) but by 31st March 2018, 100% had been completed.

There is still more work to do, with a particular focus on ensuring Education, Health and Care Plans are produced in a timely manner and responding to increasing demand but the service improvements made in the most recent financial year provide a strong foundation. The High Needs Block of the Dedicated Schools Grant, remains a significant challenge and work continues to align the expenditure with the funding available.

The directorate remains committed to a savings programme of £6.6m to balance the budget for the coming year as well as planning for the new Ofsted Inspection of Local Authority Children's Services, commencing in April 2018.

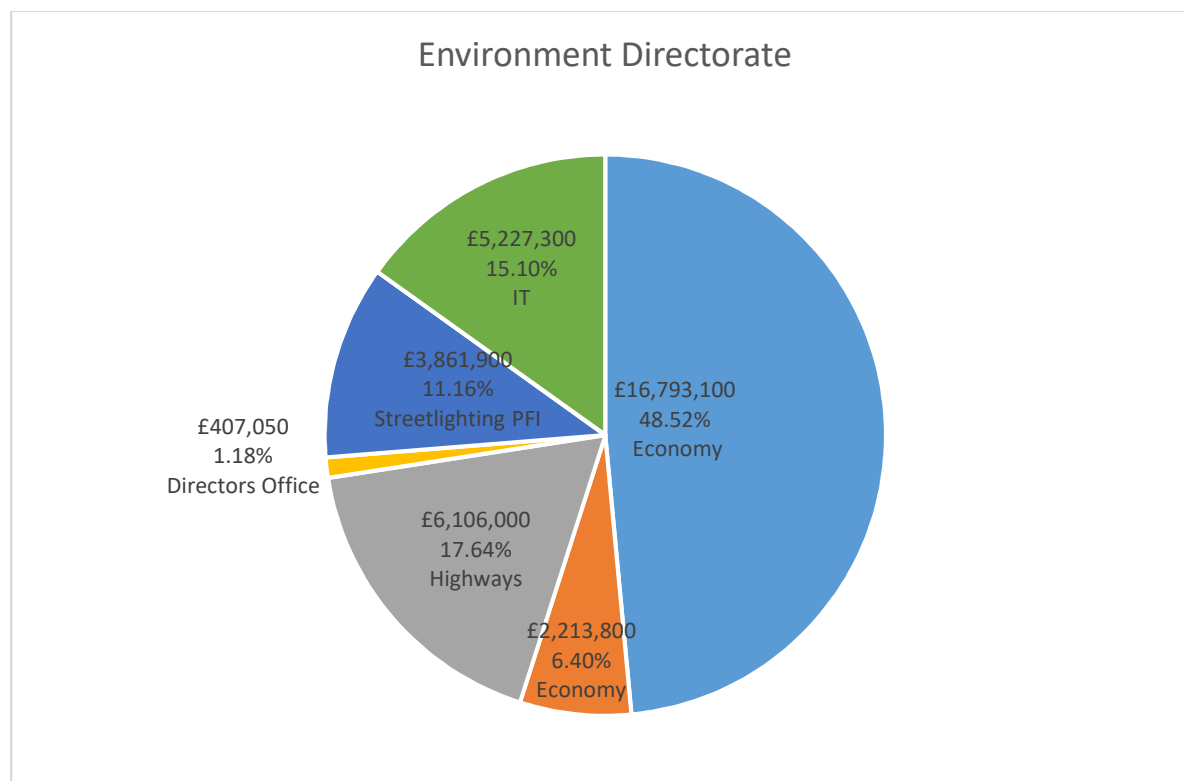
Environment and the Economy

The service areas of the Environment Directorate include Economy, Environment, Highways and IT Services. The Directorate net budget for 2017/18 was £34.6m.

The Environment Directorate budget is made up as shown in chart 8.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 8



The largest area of cost within the Directorate's £16.8m budget is Dorset Travel with a budget of £14.5m. This service oversees the provision of public and school transport in Dorset.

The Directorate is responsible for the provision of Information Technology and handles customer contact and enquiry resolution for over 40 council services.

The Directorate has a detailed savings programme of £1.6m for 2018/19; most of the plans are already being implemented.

Dorset has:

- 1,406 square km of areas of outstanding natural beauty, covering 55% of its total land area
- 135 sites of special scientific interest, covering 18,730 hectares
- 9 national nature reserves
- 62 regionally important geological and geomorphological sites (with further under consideration)
- 1,227 sites of nature conservation interest
- 91 km of heritage coast
- 114 km of the Jurassic Coast world heritage site
- 85% of British mammal species can be found in Dorset, along with 90% of our birds, 80% of our butterflies, 70% of our dragonflies and all of our native reptiles and amphibians.

The Environment and Economy Directorate maintains:

- 4,011km of roads
- 2,282km of footpaths and cycle ways
- 1,450 other structures including bridges
- 49,229 street lights, illuminated signs and bollards

NARRATIVE STATEMENT TO THE ACCOUNTS

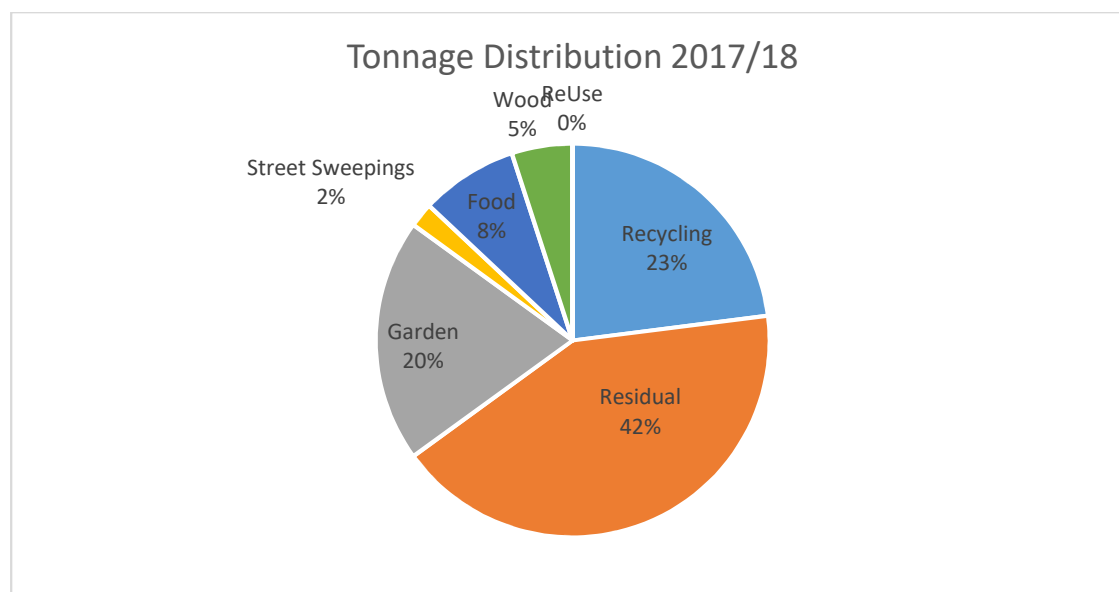
- 8,456 traffic control and information systems.

Dorset Waste Partnership

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

196,629 tonnes of waste were collected in 2017/18. This was broadly similar to 2016/17. The tonnage, by type of waste, shown in Chart 9.

Chart 9



Recycling rates are around 58%, which compares favourably with the national average of around 45%.

Debt management

Note 34 shows that the County Council's debt management has improved during the year, with the reduction of debtors from £56.5m to £49m. This is principally the result of the revision of the debt management policy that has now had its first full-year in operation. The Council supports pre-payment where possible, direct debit and greater use of electronic payments in addition to a tighter policy around debt payment. More information on debt is routinely included in report to the Council's Audit & Governance Committee which are all available on dorsetforyou.com.

Staffing and restructuring

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

Note 17 to the accounts covers the required disclosures for the County Council's senior staff and also bandings of salary earnings for employees with remuneration in excess of £50,000 per annum. Information is also disclosed, in note 18, around exit packages and termination benefits during the year. Headline FTE numbers reduced by 399 to 6,558 in the year (by 31 to 3,174 excluding schools).

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 10

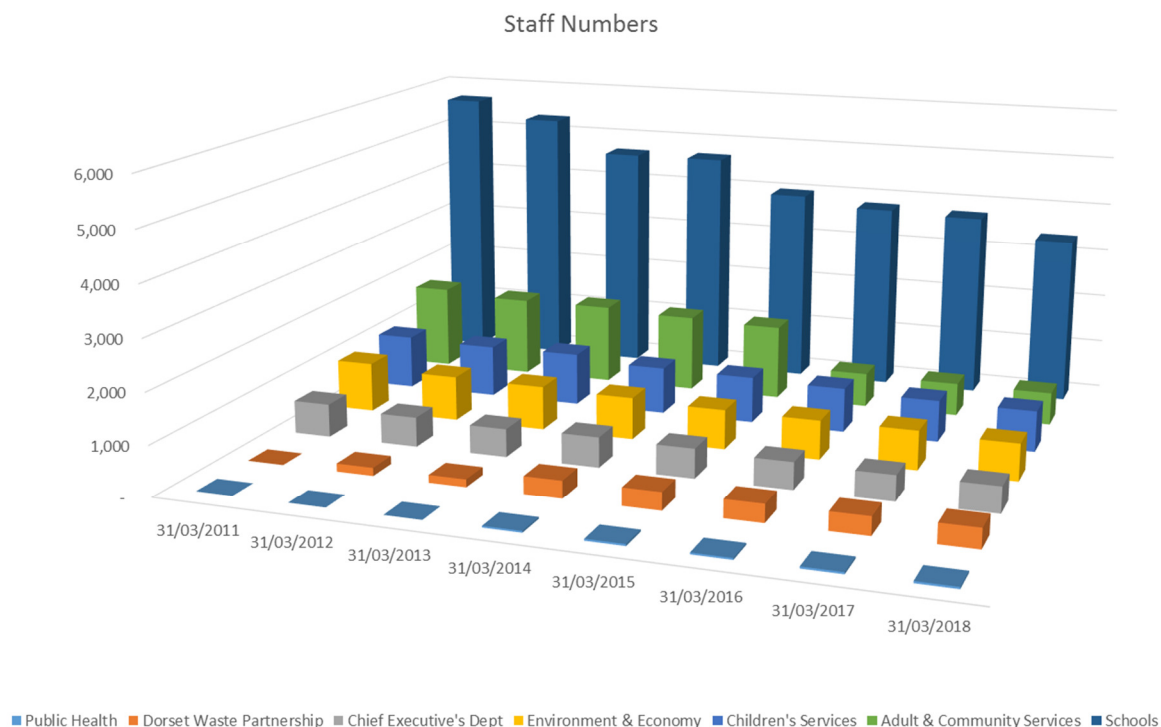
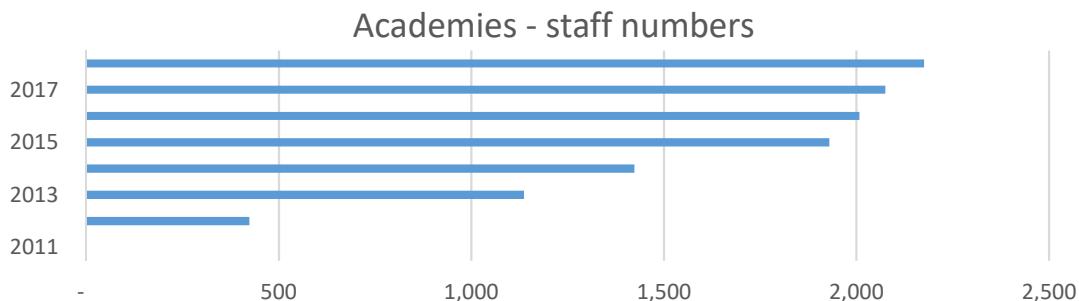


Chart 11

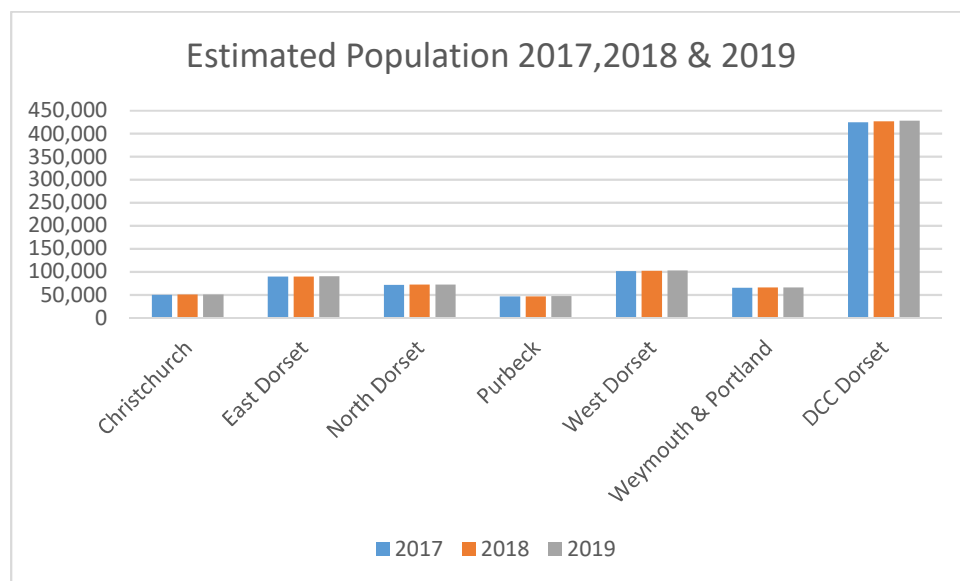


Population Data

The County Council provides services to a total estimated population of 426,300 (2017 424,550), with the projection for 2019 being 428,300. The graph below shows the population across the Borough and District council boundaries within the region of Dorset that is served by the County Council.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 12



Source: 2016 based District Projections, Dorset County Council and Office for National Statistics

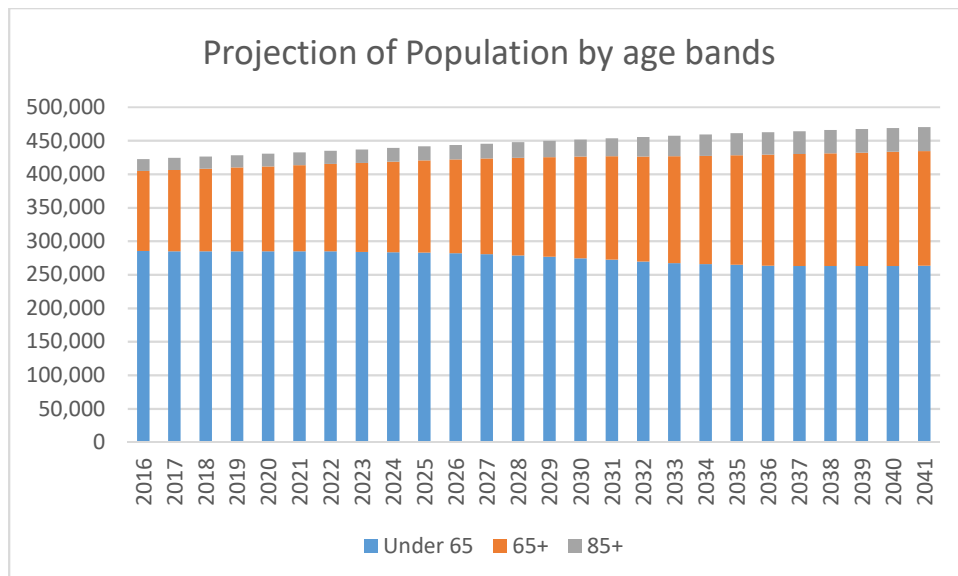
There are significant demographic challenges in the population of Dorset's residents with an estimated 33% being over 65 years of age, and 4% being over 85 years by 2018. Future projections show these numbers steadily growing, with an estimated 44% being over 65 years of age and 8% over 85 years of age by 2041.

Chart 13

Year	Age			
	Under 65	Over 65	65+	85+
2016	67%	33%	28%	4%
2021	66%	34%	30%	4%
2026	64%	36%	32%	5%
2031	60%	40%	34%	6%
2036	57%	43%	36%	7%
2041	56%	44%	36%	8%

NARRATIVE STATEMENT TO THE ACCOUNTS

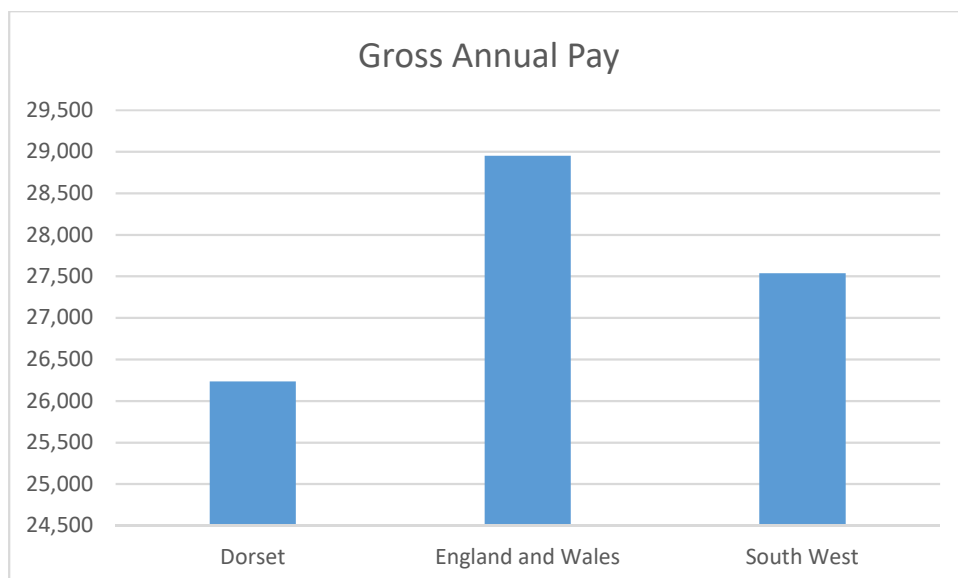
Chart 14



Source: 2016 based District Projections, Dorset County Council and Office for National Statistics

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

Chart 15

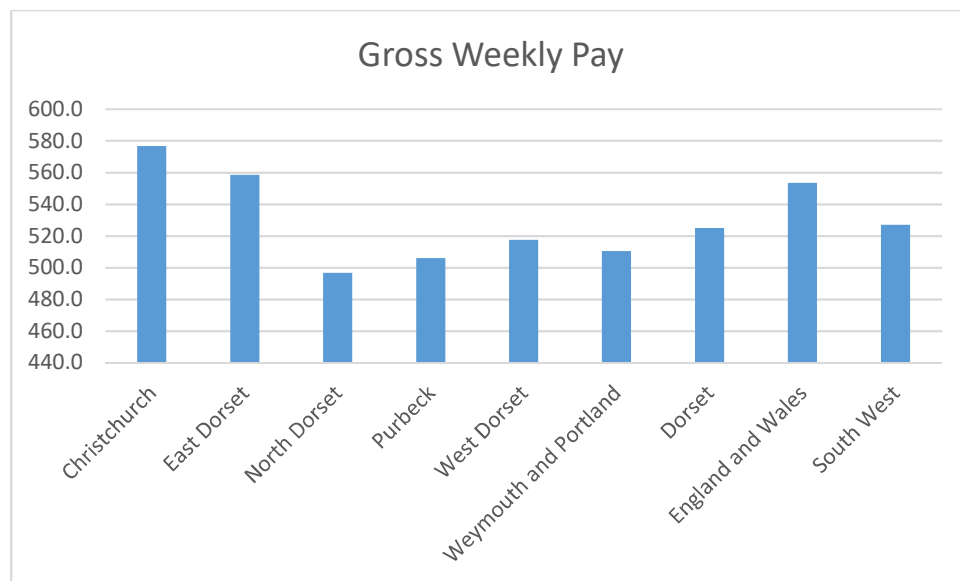


Source: Annual Survey of Hours and Earnings 2017, Office for National Statistics.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 16

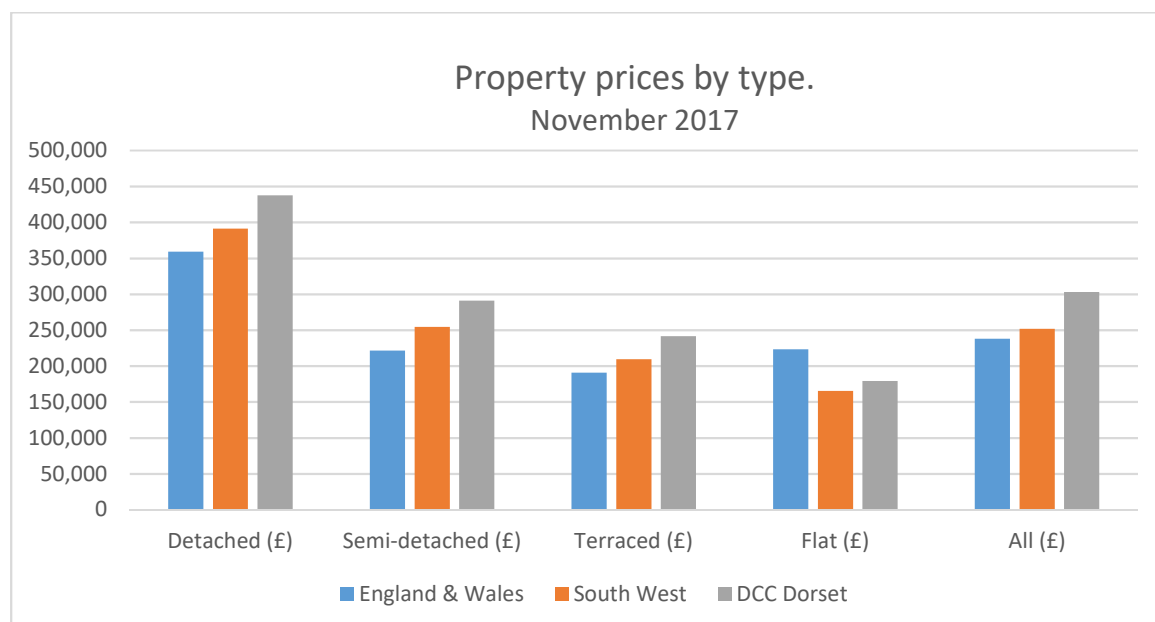
The weekly earnings for the area served by the County Council are shown in the chart below and are compared with figures for the South West and with England and Wales.



Source: Annual Survey of Hours and Earnings 2017, Office for National Statistics.

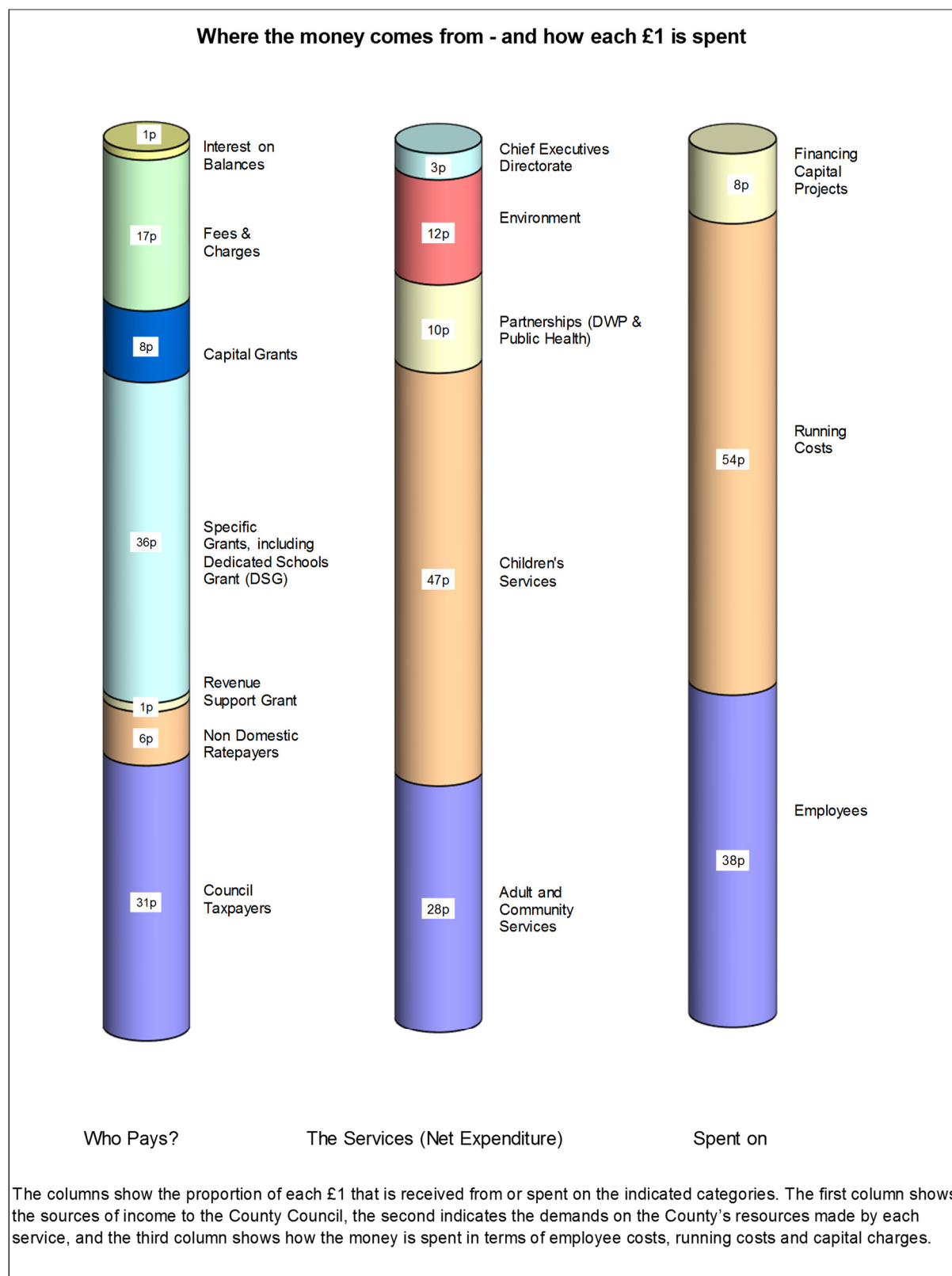
The average price of properties in the region of Dorset served by the County Council is shown below, compared with the South West and with England and Wales. The average price of properties in Dorset is higher than the South West region, and higher than for England and Wales.

Chart 17



Source: House Price Index, Land Registry

NARRATIVE STATEMENT TO THE ACCOUNTS

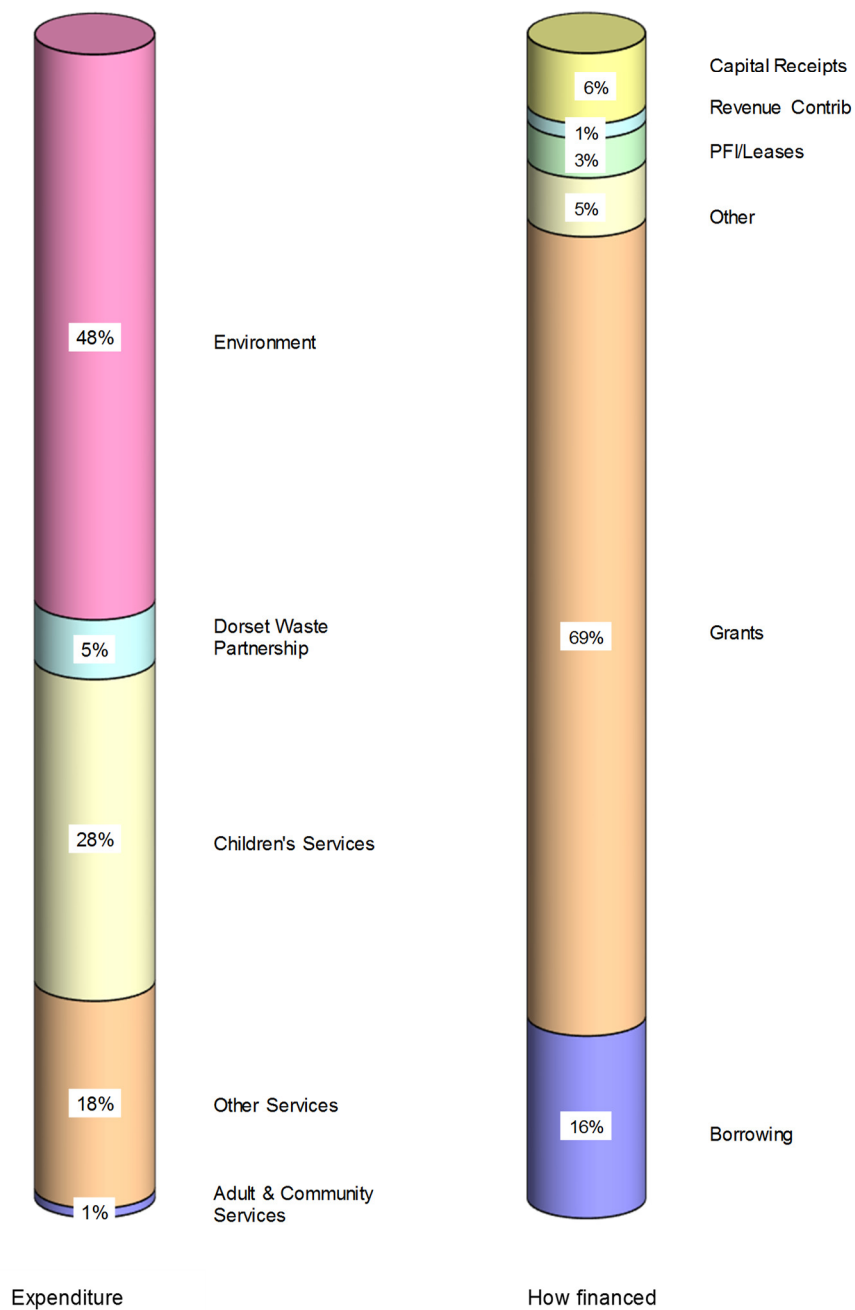


NARRATIVE STATEMENT TO THE ACCOUNTS

Capital Spending

The following charts show how the capital spending for the year of £57 million is distributed over the services provided by the County Council, and how it is financed.

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



NARRATIVE STATEMENT TO THE ACCOUNTS

Reserves & balances

A full analysis of the Authority's reserves is provided in the financial statements and in the notes to the accounts (see note 51). The level of usable reserves (those which the Council can use to deliver services) decreased slightly – from £56.7m to £54.2m - during the year. The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose) is set out in note 52. The balance of the County Council's share of general fund increased from £12.4m to £18.5m and is therefore comfortably within our designated operating range, which spans £10m to £20m.

Spending Review 2015 and the local government finance settlements that followed, resulted in significant funding reductions for the County Council. Not only was the initial level of reduction significant but there was no warning or consultation on the changes to the funding formula that delivered this outcome. As a result, when setting the budget strategy for 2016/17 the County Council had to apply £2.2m of its reserves to achieve the balanced budget required by statute.

Since then, however, the organisation has made good progress with its reorganisation and transformation, delivering savings and reducing costs wherever possible. Not only did the 2018/19 budget round set another challenging savings target for the *Forward Together* programme but additional base budget and one-off funding was made available to Children's Services and Adult Services through a combination of Council Tax, Adult Social Care Precept and Adult Social Care Grant.

Borrowing and funding sources

The Prudential Borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Before 2005/06 the Council did not exercise its powers to borrow for expenditure not supported by Government grant. However, primarily to provide funding for schools' modernisation within the overall capital programme, from 2005/06 the County Council borrowed without grant support. At the end of 2017/18 the County Council's capital financing requirement was £340.6m (2017 £336.3m) with £34.9m (2017 £37.6m) relating to PFI schemes and finance leases. Total external borrowing was £226.9m (2017 £213.3m) with the remainder financed temporarily from internal balances.

During 2017/18, the terms of six the County Council's loans were renegotiated leading to annual savings in interest costs on borrowing of approximately £100k.

Liquidity and cash flow

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due.

Provisions, contingencies and contingent assets

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

Changes in statutory functions

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

Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

NARRATIVE STATEMENT TO THE ACCOUNTS

Local Government Reorganisation Update - July 2018

Councillors for both the Dorset Area and Bournemouth, Christchurch and Poole (BCP) have made history by forming two new shadow councils. The shadow councils will ensure the safe and legal transition from the nine existing councils to the two new unitary authorities in April next year. Elections for the new authorities are due to take place in May 2019.

The Shadow Dorset Council consists of all 174 members from the six Dorset Area authorities – Dorset County, East Dorset District, North Dorset District, Purbeck District, West Dorset District and Weymouth & Portland Borough Councils. The Shadow BCP Council is made up of 125 council seats from across Bournemouth, Christchurch and Poole, as well as the county councillors representing Christchurch. Both shadow councils have now had their first meetings, and the shadow executive committees have been formed. The shadow executive committees will now take forward all decisions made concerning the running of the new authorities from April next year.

The Leaders and Chairmen of the shadow councils are:

Shadow Dorset Council

Cllr Rebecca Knox, Leader and Cllr Hilary Cox, Chairman.

BCP Shadow Authority

Cllr Janet Walton, Leader and Cllr Ray Nottage, Chairman.

www.futuredorset.co.uk.

Pension Fund

Note 11 to the Pension Fund Accounts (Appendix C) shows that the Fund as a whole had investment assets of £2.868bn at 31 March 2018 (2017 £2.736bn), an increase in-year of approximately 5%.

The triennial valuation conducted by the Fund's actuary as at 31 March 2016 valued net liabilities at £452m, up from £413m at the last such valuation (31 March 2013) with a funding level of 83% (net asset values as a proportion of total discounted liabilities), up marginally from 82% at 31 March 2013. This is not an immediate problem for the Fund as the liabilities are long term in nature and represent all future retirement commitments. However, a review of funding and investment strategies this year has resulted in some changes to the target, strategic allocations to different asset classes.

In response to government requirements for Local Government Pension Scheme (LGPS) funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel Ltd) was formed in 2017/18 to oversee the investment assets of the Dorset fund together with nine other funds in the south west region. Investment assets will begin to transition to the new pooling arrangements in 2018/19.

Basis of preparation

The accounts for 2017/18 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2017/18

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2018. This includes an interpretation of the financial statements, including the Group Accounts, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

NARRATIVE STATEMENT TO THE ACCOUNTS

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

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

The Primary Financial Statements comprise:

i) Comprehensive Income and Expenditure Statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the statement of movement in reserves.

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

ii) Balance sheet (statement of financial position)

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

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

iii) Statement of Movement in Reserves

This statement shows the movement from the start of the year to the end on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

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

iv) Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities

NARRATIVE STATEMENT TO THE ACCOUNTS

is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

v) Notes to the Financial Statements

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

vi) Dorset County Pension Fund Accounts and Notes

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



Richard Bates
Chief Financial Officer
29th June 2018



David Harris
Chair of the Audit & Governance Committee
29th June 2018

STATEMENT OF RESPONSIBILITIES

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

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

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

The Chief Financial Officer's responsibilities

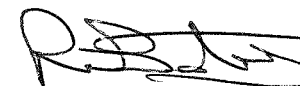
The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.

Richard Bates
Chief Financial Officer
29th June 2018



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17		2017/18			
Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000
71,111	Adult Care Service User Related	111,353	32,092	1,066	78,195
11,617	Adult Care	20,098	5,886	-	14,212
34,616	Commissioning and Performance	44,404	6,759	4,368	33,277
10,612	Early Help and Communities	14,677	2,451	408	11,818
1,065	Director's Office	1,905	30	3	1,872
129,021	Adult & Community Services	192,437	47,218	5,845	139,374
357	Chief Executives Office	328	-	-	328
289	Partnerships	221	22	-	199
260	Communications	299	-	-	299
525	Policy and Research	632	93	-	539
465	Commercial Services	599	-	-	599
634	Governance and Assurance	694	5	-	689
117	Assistant Chief Executive	-	-	-	-
2,133	Legal and Democratic Services	3,275	196	-	3,079
2,313	Financial Services	10,863	6,250	-	4,613
1,514	Human Resources	2,898	1,283	-	1,615
3,855	Cabinet	5,532	305	-	5,227
12,462	Chief Executive's Dept & Cabinet	25,341	8,154	-	17,187
42,289	Care & Protection	45,793	931	578	44,284
10,298	Design & Development	15,621	1,704	1,685	12,232
20,945	Partnerships and Performance	69,173	2,179	47,857	19,137
999	Directors Office	4,104	811	692	2,601
16,566	Dedicated Support Grant (DSG) Services	179,326	11,763	149,379	18,184
91,097	Children's Services	314,017	17,388	200,191	96,438
2,213	Economy, Planning & Transport	3,272	611	183	2,478
16,405	Dorset Travel	16,461	357	916	15,188
667	Business Support Unit	554	16	-	538
2,504	Coast & Countryside	8,137	3,241	1,243	3,653
(91)	Buildings & Construction	777	180	-	597
(60)	Pooled Repairs and Maintenance (R&M)	28	-	-	28
2,067	Network Management	4,470	2,533	-	1,937
1,440	Network Development	3,148	485	38	2,625
17,891	Network Operations	22,034	1,372	-	20,662
(122)	Fleet Services	(45)	172	-	(217)
214	Emergency Planning	249	2	-	247
748	Director's Office	1,028	-	-	1,028
1,722	Streetlighting Private Finance Initiative (PFI)	4,884	230	2,546	2,108
9,222	Information Communication Technology (ICT)	13,718	1,137	-	12,581
54,820	Environment & Economy	78,715	10,336	4,926	63,453
22,760	Dorset Waste Partnership	39,318	16,338	-	22,980
248	Regional Improvement Efficiency Partnership (RIEP)	-	-	-	-
181	Public Health	29,106	14,069	14,929	108
23,189	Partnerships	68,424	30,407	14,929	23,088
422	Centrally Managed Costs	3,162	(44)	-	3,206
311,011	Deficit on Provision of Services	682,096	113,459	225,891	342,746
	Other Operating Income & Expenditure				
(1,373)	Net loss/(gain) on disposal of non-current assets	634	-	-	634
4,055	Net loss on disposal of Academies	11,084	-	-	11,084
662	Levies and Precepts	784	-	112	672
	Financing & Investment Income & Expenditure				
7,482	Interest Payable	7,414	-	-	7,414
(78)	Interest and Investment Income	-	87	-	(87)
22,145	Pensions Interest Cost & Expected Return on Assets	20,243	-	-	20,243
343,904	Net Operating Expenditure	722,255	113,546	226,003	382,706
	Taxation & Non-Specific Grant Income				
(19,446)	Revenue Support Grant				(6,138)
(10,834)	Non-Domestic Rates				(11,837)
(25,955)	Non-Domestic Rates top-up receipts from Central Government				(26,668)
(209,275)	Council Tax				(221,460)
(10,249)	Other Central Grants				(16,218)
(36,780)	Capital Grants				(51,612)
(312,539)	Total Finance				(333,933)
31,365	Deficit for the Year				48,773
(12,989)	(Surplus) on the revaluation of Property, Plant & Equipment				(13,793)
111,185	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				(98,613)
129,561	Net Comprehensive (Income)/Expenditure				(63,633)

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

2016/17		2017/18			
Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000
71,111	Adult Care Service User Related	111,353	32,092	1,066	78,195
11,617	Adult Care	20,098	5,886	-	14,212
34,616	Commissioning and Performance	44,404	6,759	4,368	33,277
10,612	Early Help and Communities	14,677	2,451	408	11,818
1,065	Director's Office	1,905	30	3	1,872
129,021	Adult & Community Services	192,437	47,218	5,845	139,374
357	Chief Executives Office	328	-	-	328
289	Partnerships	221	22	-	199
260	Communications	299	-	-	299
525	Policy and Research	632	93	-	539
465	Commercial Services	599	-	-	599
634	Governance and Assurance	694	5	-	689
117	Assistant Chief Executive	-	-	-	-
2,133	Legal and Democratic Services	3,275	196	-	3,079
2,313	Financial Services	10,863	6,250	-	4,613
1,514	Human Resources	2,898	1,283	-	1,615
3,855	Cabinet	5,532	305	-	5,227
12,462	Chief Executive's Dept & Cabinet	25,341	8,154	-	17,187
42,289	Care & Protection	45,793	931	578	44,284
10,298	Design & Development	15,621	1,704	1,685	12,232
20,945	Partnerships and Performance	69,173	2,179	47,857	19,137
999	Directors Office	4,104	811	692	2,601
16,566	Dedicated Support Grant (DSG) Services	179,326	11,763	149,379	18,184
91,097	Children's Services	314,017	17,388	200,191	96,438
2,213	Economy, Planning & Transport	3,272	611	183	2,478
16,405	Dorset Travel	16,461	357	916	15,188
667	Business Support Unit	554	16	-	538
2,504	Coast & Countryside	8,137	3,241	1,243	3,653
(91)	Buildings & Construction	777	180	-	597
(60)	Pooled Repairs and Maintenance (R&M)	28	-	-	28
2,067	Network Management	4,470	2,533	-	1,937
1,440	Network Development	3,148	485	38	2,625
17,891	Network Operations	22,034	1,372	-	20,662
(122)	Fleet Services	(45)	172	-	(217)
214	Emergency Planning	249	2	-	247
748	Director's Office	1,028	-	-	1,028
1,722	Streetlighting Private Finance Initiative (PFI)	4,884	230	2,546	2,108
9,222	Information Communication Technology (ICT)	13,718	1,137	-	12,581
54,820	Environment & Economy	78,715	10,336	4,926	63,453
22,760	Dorset Waste Partnership	39,318	16,338	-	22,980
248	Regional Improvement Efficiency Partnership (RIEP)	-	-	-	-
181	Public Health	29,106	14,069	14,929	108
23,189	Partnerships (DCC Leads)	68,424	30,407	14,929	23,088
422	Centrally Managed Costs	3,162	(44)	-	3,206
311,011	Deficit on Provision of Services	682,096	113,459	225,891	342,746
(484)	Share of (profit) or loss on the provision of services by joint venture	(347)	-	-	(347)
94	Tax expenses of joint venture	68	-	-	68
310,621	Group (Surplus) / Deficit	681,817	113,459	225,891	342,467
	Other Operating Income & Expenditure				
(1,373)	Net loss/(gain) on disposal of non-current assets	634	-	-	634
4,055	Net loss on disposal of Academies	11,084	-	-	11,084
662	Levies and Precepts	784	-	112	672
	Financing & Investment Income & Expenditure				
7,482	Interest Payable	7,414	-	-	7,414
(78)	Interest and Investment Income	-	87	-	(87)
22,145	Pensions Interest Cost & Expected Return on Assets	20,243	-	-	20,243
343,514	Net Operating Expenditure	721,976	113,546	226,003	382,427
	Taxation & Non-Specific Grant Income				
(19,446)	Revenue Support Grant	-	-	-	(6,138)
(10,834)	Non-Domestic Rates	-	-	-	(11,837)
(25,955)	Non-Domestic Rates top-up receipts from Central Government	-	-	-	(26,668)
(209,275)	Council Tax	-	-	-	(221,460)
(10,249)	Other Central Grants	-	-	-	(16,218)
(36,780)	Capital Grants	-	-	-	(51,612)
(312,539)	Total Finance				(333,933)
30,975	Deficit for the Year				48,494
(12,989)	(Surplus) on the revaluation of Property, Plant & Equipment				(13,793)
111,185	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				(98,613)
129,171	Net Comprehensive (Income)/Expenditure				(63,912)

BALANCE SHEET

31 March 2017					31 March 2018				
DCC Single Entity		DCC Group		Note	DCC Single Entity		DCC Group		
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
8,185		8,185			7,570		7,570		
Intangible Assets									
Property, Plant & Equipment									
Operational Assets									
391,776		391,776			384,269		384,269		
31,320		31,320			26,979		26,979		
376,101		376,101			380,408		380,408		
10,049		10,049			9,669		9,669		
Non-operational Assets									
22,249		22,249			37,142		37,142		
9,741		9,741			8,449		8,449		
	849,421		849,421	21		854,486		854,486	
			429					708	
	38		-	31		38		-	
	4,459		4,459	32		4,406		4,406	
	853,918		854,309			858,930		859,600	
Current Assets									
1,050		1,050		33	1,005		1,005		
65,615		65,615		34	56,573		56,573		
5,249		5,249		21, 36	6,222		6,222		
7,978		7,978		37	38,260		38,260		
79,892		79,892			102,060		102,060		
Current Liabilities									
31,419		31,419		38	45,900		45,900		
66,425		66,425		39	71,501		71,501		
2,642		2,642		40	3,289		3,289		
100,486		100,486			120,690		120,690		
	(20,594)		(20,594)			(18,630)		(18,630)	
	833,324		833,715			840,300		840,970	
Long Term Liabilities									
(181,863)		(181,863)		38	(180,963)		(180,963)		
(30,225)		(30,225)		11	(27,806)		(27,806)		
(114)		(114)		42	(150)		(150)		
(7,349)		(7,349)		12	(7,055)		(7,055)		
(738,170)		(738,170)		23	(685,090)		(685,090)		
	(957,721)		(957,721)			(901,064)		(901,064)	
	(124,397)		(124,006)			(60,764)		(60,094)	
Financed by :-									
Usable Reserves									
16,751		17,142		52, 53	15,923		16,593		
56,675		56,675		51	54,155		54,155		
19		19		50	1,222		1,222		
18,155		18,155		47	29,235		29,235		
	91,600		91,991			100,535		101,205	
Unusable Reserves									
6,332		6,332		45	7,815		7,815		
113,658		113,658		48	116,709		116,709		
(738,170)		(738,170)		23	(685,090)		(685,090)		
404,669		404,669		44	403,375		403,375		
(4,437)		(4,437)		46	(4,641)		(4,641)		
330		330			330		330		
1,621		1,621		49	203		203		
	(215,997)		(215,997)			(161,299)		(161,299)	
	(124,397)		(124,006)			(60,764)		(60,094)	

The Balance Sheet is a record of the financial position of the County Council at 31 March 2018. Figures relating to the Dorset County Pension Fund are excluded. The summarised Pension Fund Accounts are set out in separate statements in a separate document. Detailed notes supporting the Balance Sheet are shown later in this document.

STATEMENT OF MOVEMENTS IN RESERVES

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance as at 31 March 2016	27,857	56,085	(26)	17,406	101,322	(96,158)	5,164	1	5,165
Movement in reserves during 2016/17									
Total Comprehensive Income & Expenditure	(31,365)	-	-	-	(31,365)	(98,196)	(129,561)	390	(129,171)
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	59,351	-	45	-	59,396	(59,396)	-	-	-
Transfers to/from specific reserves									
Total transfers	(39,092)	590	-	749	(37,753)	37,753	-	-	-
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£000	£000	£000	£000	£000	£000	£000		
Note	52, 53	51	50	47					
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)
Movement in reserves during 2017/18									
Total Comprehensive Income & Expenditure	(48,773)	-	-	-	(48,773)	112,406	63,633	279	63,912
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	95,447	-	1,203	-	96,650	(96,650)	-	-	-
Transfers to/from specific reserves									
Total transfers	(47,502)	(2,520)	-	11,080	(38,942)	38,942	-	-	-
Balance as at 31 March 2018	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)

Revenue & Capital Reserves Analysis as at 31 March 2018									
Revenue	13,297	54,155	-	-	67,452	(681,383)	(613,931)	670	(613,261)
Capital	2,626	-	1,222	29,235	33,083	520,084	553,167	-	553,167
	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)

CASH FLOW STATEMENT (SINGLE ENTITY AND DCC GROUP)

2016/17				2017/18			
DCC Single Entity		DCC Group		DCC Single Entity		DCC Group	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating Activities							
Expenditure							
(252,702)	(252,702)			(245,084)	(245,084)		
(346,996)	(346,996)			(334,786)	(334,786)		
(7,482)	(7,482)			(7,414)	(7,414)		
	(94)				(68)		
(607,180)	(607,274)			(587,284)	(587,352)		
Income							
209,275	209,275			221,460	221,460		
19,446	19,446			6,138	6,138		
36,789	36,789			38,505	38,505		
235,822	235,822		13	242,221	242,221		
122,643	122,643			102,183	102,183		
78	78			87	87		
624,053	624,053			610,594	610,594		
16,873	16,779			23,310	23,242		
Net cash inflow / (outflow) from operating activities							
Investing Activities							
Expenditure							
(69,022)	(69,022)		25	(56,833)	(56,833)		
Transfers/PFI capital repayments							
Income							
45	45			1,204	1,204		
36,885	36,885			51,697	51,697		
(32,092)	(32,092)			(3,932)	(3,932)		
(15,219)	(15,313)			19,378	19,310		
Net cash inflow / (outflow) from investing activities							
Net cash inflow / (outflow) before financing							
Financing							
35,000	35,000			45,000	45,000		
(6,060)	(6,060)			(31,419)	(31,419)		
(2,388)	(2,388)			(2,419)	(2,419)		
1,029	1,029			(294)	(294)		
40	40			36	36		
27,621	27,621			10,904	10,904		
12,402	12,308			30,282	30,214		
(4,424)	(4,426)			7,978	7,882		
7,978	7,882			38,260	38,096		
Cash & cash equivalents at the end of the period							

NOTES TO THE FINANCIAL STATEMENTS

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

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

All of these standards will be incorporated into the Code from 2018/19 and will be complied with by the Authority. However, none have a material impact for the Council and none warrant specific disclosure in these accounts.

2. Related party transactions

Central Government

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

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

Other Local Authorities and Bodies levying demands on the council tax

Levies paid to other bodies during 2017/18 included the following material transactions: -

2016/17 £'000		2017/18 £'000
571	Environment Agency	577
203	Southern Sea Fisheries Committee	207

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

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

On 1st April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Head of Legal & Democratic Services is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Chief Financial Officer was Treasurer to the Dorset Police & Crime Commissioner until 30 June 2017. The County Council supplied services to these authorities as detailed in the following table.

2016/17 £'000		2017/18 £'000
128	Dorset Police & Crime Commissioner	30
85	Dorset & Wiltshire Fire and Rescue Authority	114

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

2016/17 £'000		2017/18 £'000
125	Dorset Police & Crime Comm (Capital Financing)	124
66	Dorset Police & Crime Commissioner	18
99	Dorset & Wiltshire Fire and Rescue Authority	19

Elected Members, Staff & close families

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

Councillor Mark Roberts is a director of Daley Homecare Ltd which has contractual relationship with the County Council to provide domiciliary care services. Daley Homecare Ltd was paid £224k by the County Council during 2017/18.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum exposure to the maturity structure of its debt in any one time period;
 - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

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

Credit risk

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

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

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2018 was £19m (2017 £22.2m).

Liquidity risk

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

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

Refinancing and Maturity Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Market risk

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

- borrows at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrows at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

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

4. Events after the Balance Sheet date

There were no material events after the balance sheet date.

5. Local Government reorganisations

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

Academies

During the year ended 31 March 2018, the following Schools were established as Academies under the Academies Act 2010. The amounts in the table below are included in the Comprehensive Income & Expenditure Statement on account of each school.

2016/17					2017/18		
Schools Delegated Budgets	Schools - LEA Expenditure	Dedicated Schools Grant	Conversion Date		Schools Delegated Budgets	Schools - LEA Expenditure	Dedicated Schools Grant
£'000	£'000	£'000			£'000	£'000	£'000
437	6	412	01/06/17	Thornford CE VA Primary	74	-	68
1,202	95	1,117	01/06/17	Sherborne Primary	252	19	188
955	12	965	01/06/17	Sherborne Abbey CE VA Primary	174	-	169
611	7	567	01/06/17	St Andrew's CE Primary (Yetminster)	102	-	88
532	232	490	01/06/17	St Mary's CE VC Primary (Bradford Abbas)	135	-	78
458	14	346	01/06/17	Buckland Newton CE VC Primary	149	19	55
982	99	895	01/07/17	St John's CE VA Primary (Weymouth)	331	106	223
1,257	18	1,176	01/07/17	St Andrew's CE VA Primary (Weymouth)	346	-	274
964	14	838	01/08/17	Beechcroft St Paul's Primary	393	-	279
543	7	595	01/11/17	St Andrew's CE Primary (Fontmell Magna)	293	-	360
1,513	20	1,491	01/01/18	Emmanuel CE Middle	1,099	-	1,164
1,887	132	1,666	01/02/18	Christchurch Junior School	1,641	97	1,345
11,341	656	10,558			4,989	241	4,291

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

The total number of schools converted to academies now comes to 71

NOTES TO THE FINANCIAL STATEMENTS

The Authority also received notification from the following Schools, that they intend to become Academies under the Academies Act 2010. The amounts shown are the values of the schools balances in the Authority's General Fund as at 31 March 2018.

School	Actual/Advised Date (if known)	School Balance at 31 March 2018 Surplus/(deficit) £
Bere Regis Primary School	Postponed from 01/04/2018	30,832
Lockyers Middle School	01/07/2018	149,766

When a School achieves Academy status, it legally closes as a Local Authority School and is immediately re-established as a separate legal entity.

When an Academy is established, it is funded directly by the Government, through distribution of General Annual Grant from the Education Funding Agency. A calculation to determine the value of any School balances in the Local Authority's accounts must be completed within four months of the transfer date. The Academy then has one month in which to appeal to the Secretary of State for a review if it disagrees with the calculated balance. The Secretary of State has three months in which to make a determination of the actual balance. The Local Authority must pay over any surplus balance to the Academy within one month of the Academy agreeing the surplus balance (or failing to apply for a review by the statutory date) or the determination of the surplus by the Secretary of State.

Where the transferring converter School has a deficit balance, the Government reimburses the Local Authority for this. For sponsored Academies, any deficit remains with the Local Authority.

Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, in partnership with Bournemouth Borough Council and the Borough of Poole, Dorset County Council launched Tricuro. Further information can be found in note 6 on Group Accounts.

6. Group accounts and disclosure of interests in other entities

Dorset Development Partnership

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

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

The Partnership has an accounting date of 30 April.

At 31 March 2018, the following properties were being worked on by the Partnership:

Damers Road Store, Damers Road, Dorchester
Residue of the Barracks Site, Dorchester
White Pit Farm buildings, Shillingstone
Sites off Flood Lane, Bridport

Properties completed during 2017/18:

Quartermasters Store, The Barracks, Dorchester. The accounts of Dorset County Council reflect the sale of this asset and no further disclosure is provided here.

During the year ended 31 March 2018 Dorset County Council, with the agreement of PSP Dorset LLP, withdrew the Blandford Depot, Wimborne Road, Blandford from the Partnership. Costs incurred on this property are reflected in Dorset County Council's accounts and no further disclosure is required here.

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

Surplus properties are not transferred legally or contractually to the partnership, nor to any third party until the final sale is achieved. At 31 March 2018, the properties being worked on by the Partnership were still assets of Dorset County Council and the non-deminimus assets are shown within the *assets held for sale* section of the Balance Sheet.

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

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

As at 30 April 2018, the draft accounts for the partnership showed total assets less current liabilities of £486k (£332k as at 30 April 2017), materially all of this being work in progress.

NOTES TO THE FINANCIAL STATEMENTS

South West Audit Partnership (SWAP)

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

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

Summary Balance Sheet	31/03/2017	Draft 31/03/2018
	£'000	£'000
Intangible assets	-	12
Tangible assets	16	34
Current assets	1,156	1,546
Creditors due within 12 months	(214)	(323)
Deferred Income	(706)	(945)
Pension fund liability	(7,874)	(7,667)
Net liabilities	(7,622)	(7,343)
Financed by:		
Retained earnings	(7,801)	(7,522)
Other reserves	179	179
Total reserves	(7,622)	(7,343)

Summary Income & Expenditure	31/03/2017	Draft 31/03/2018
	£'000	£'000
Turnover	2,603	3,114
Admin expenses	(2,671)	(3,362)
Operating profit / (loss)	(68)	(248)
Interest receivable and similar income	2	1
Interest payable and similar charges	(195)	(215)
Loss on ordinary activities	(261)	(462)

Statement of Other Comprehensive Income	31/03/2017	Draft 31/03/2018
	£'000	£'000
Loss for the Financial Year	(261)	(462)
Actuarial gain/(loss) on pension scheme	(2,469)	741
Total comprehensive income (total recognised gains/(losses))	(2,730)	279

Turnover included above, from trading with Dorset County Council was £292k (£292k in 2016/17).

NOTES TO THE FINANCIAL STATEMENTS

TRICS Consortium Ltd

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

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

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

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

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

The accounting date is 31 December. The results and performance, from the company's Financial Statements for the year to 31 December 2017, are:

Summary Balance Sheet	31/12/2016	31/12/2017
	£'000	£'000
Intangible assets	337	302
Tangible assets	5	6
Current assets	615	764
Creditors due within 12 months	(340)	(360)
Net assets (liabilities)	617	712
Financed by:		
Ordinary share capital	225	225
Share premium	365	365
Retained profit	27	122
Total reserves	617	712

Summary Income & Expenditure	31/12/2016	31/12/2017
	£'000	£'000
Turnover	1,288	1,414
Cost of sales	(332)	(386)
Other operating expenses	(336)	(315)
Profit on ordinary activities	620	713
Tax on profit on ordinary activities	(124)	(137)
	496	576

Turnover included above, from trading with Dorset County Council for the year to 31 December 2017 was £3k (year to 31 December 2016 £3k). Dorset County Council received a dividend of £80k during 2017/18 (2016/17 £84k).

There were not any material transactions between the TRICS year-end date of 31st December 2017 and the Dorset County Council year-end date of 31st March 2018.

Tricuro - Local Authority Trading Company (LATC)

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

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2017-18 was £41.4m (the group turnover was £41.5m in 2016-17). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro for three years until 30 June 2018. The value of this contract was £1.05m for the period to 31 March 2018. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £870k for the period to 31 March 2018.

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

7. Prior period adjustments

There are no prior year adjustments to disclose for the 2017/18 Accounts.

NOTES TO THE FINANCIAL STATEMENTS

8. Expenditure and Income analysed by Nature and Segmental Income

The Code requires Local Authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the Authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement. The impact for the DCC Group Accounts is not material, and is not included in the figures below.

	2017/18							2016/17		
	Adult & Community Services	Chief Executive's Dept & Cabinet	Children's Services	Environment & Economy	Partnerships (DCC Leads)	Centrally Managed Costs	Total	Final Budget Estimate	Variance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Charges/Trading	248	(4,316)	4,144	(2,199)	2,100	9	(14)	(130)	(116)	34
Authority (Democratic) Costs	-	741	-	-	-	-	741	751	10	859
Pay Related Costs	24,695	15,897	174,608	23,004	13,200	40	251,444	254,762	3,318	254,270
Premises Related Costs	1,238	2,649	11,707	3,143	1,370	2,157	22,264	25,195	2,931	22,468
Transport Related Costs	734	1,712	8,521	7,011	2,076	(2)	20,052	20,632	580	21,077
Supplies and Service	49,113	3,463	78,198	7,222	19,529	(313)	157,212	148,010	(9,202)	139,420
Transfer Payments	23,224	-	780	-	(2)	-	24,002	25,756	1,754	26,026
Third Party Payments	87,434	435	11,458	9,651	24,936	1	133,915	124,370	(9,545)	144,754
Net Schools Budget adjs	-	-	653	-	-	-	653	(239)	(892)	689
Cost Centre Balances	-	-	613	-	-	(256)	357	(4,797)	(5,154)	(352)
Government Grants	(5,845)	-	(200,192)	(4,926)	(14,929)	-	(225,892)	(222,228)	3,664	(225,463)
Reimbursements and Contributions	(22,082)	(2,409)	(11,132)	(1,189)	(25,456)	(1)	(62,269)	(57,693)	4,576	(72,576)
Fees and Charges	(25,135)	(5,746)	(6,308)	(9,147)	(4,951)	46	(51,241)	(46,444)	4,797	(51,375)
Corporate Income & Expenditure	-	(25)	(295)	-	-	-	(320)	(1,926)	(1,606)	(315)
Transfers to/(from) Reserves	-	-	(211)	(319)	(208)	762	24	1,172	1,148	-
Reported in Management Accounts	133,624	12,401	72,544	32,251	17,665	2,443	270,928	267,191	(3,737)	259,516
IAS 19 Pension Adjustment	4,190	2,351	10,571	4,936	1,717	763	24,528	24,529	1	5,788
Capital Charges	1,560	2,435	13,323	26,266	3,706	-	47,290	47,290	-	45,707
Deficit on Provision of Services	139,374	17,187	96,438	63,453	23,088	3,206	342,746	339,010	(3,736)	311,011
Recharges (SERCOP)	11,300	(10,177)	18,257	(16,849)	-	(2,532)	-	-	-	-
Deficit on Provision of Services	150,674	7,010	114,695	46,604	23,088	674	342,746	339,010	(3,736)	311,011

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

NOTES TO THE FINANCIAL STATEMENTS

9. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement		2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement	Original Estimate	Final Estimate	Variance () = over
	Adjustments between Funding and Accounting Basis	£'000			£'000	Adjustments between Funding and Accounting Basis				
£'000	£'000	£'000			£'000	£'000	£'000	£'000	£'000	£'000
124,652	4,369	129,021	Adult & Community Services		133,636	5,738	139,374	128,404	139,384	10
10,536	1,926	12,462	Chief Executive's Dept & Cabinet		12,425	4,762	17,187	10,260	17,564	377
71,125	19,972	91,097	Children's Services		71,785	24,653	96,438	60,929	89,787	(6,651)
32,850	21,970	54,820	Environment & Economy		31,950	31,503	63,453	52,009	63,981	528
18,520	4,669	23,189	Partnerships (DCC Leads)		17,360	5,728	23,088	23,560	23,970	882
541	(119)	422	Centrally Managed Costs		1,264	1,942	3,206	9,278	4,323	1,117
258,224	52,787	311,011	Deficit on Provision of Services		268,420	74,326	342,746	284,440	339,009	(3,737)
			Other Operating Income & Expenditure							
139	(1,512)	(1,373)	Net loss/(gain) on disposal of non-current assets		187	447	634	-	634	0
	4,055	4,055	Net loss on disposal of Academies		-	11,084	11,084	-	11,084	0
662		662	Levies and Precepts		672		672	677	677	5
			Financing & Investment Income & Expenditure							
7,482		7,482	Interest Payable		7,414		7,414	7,845	7,845	431
(68)	(10)	(78)	Interest and Investment Income		(68)	(19)	(87)	(250)	(100)	(13)
-	22,145	22,145	Pensions Interest Cost & Expected Return on Assets		(25)	20,267	20,243	-	20,243	-
19,103	(19,103)		CERA/MRP		10,648	(10,648)				
2,306	(2,306)		Movements to/from reserves		(4,129)	4,129	-	-	-	
			Taxation & Non-Specific Grant Income							
(19,446)		(19,446)	Revenue Support Grant		(6,138)		(6,138)	(6,138)	(6,138)	-
(10,886)	52	(10,834)	Non-Domestic Rates		(11,268)	(569)	(11,837)	(10,778)	(11,348)	489
(25,955)		(25,955)	Non-Domestic Rates top-up receipts from Central Government		(26,668)		(26,668)	(26,669)	(26,669)	(1)
(208,717)	(558)	(209,275)	Council Tax		(220,546)	(914)	(221,460)	(220,547)	(221,461)	(1)
(10,249)		(10,249)	Other Central Grants		(16,218)		(16,218)	(17,691)	(16,217)	1
(1,489)	(35,291)	(36,780)	Capital Grants		(1,453)	(50,159)	(51,612)	-	(51,612)	-
(247,118)	(32,528)	(279,646)	Total Other Income and Expenditure		(267,592)	(26,382)	(293,973)	(273,551)	(293,062)	911
11,106	20,259	31,365	Deficit for the Year		828	47,944	48,773	10,889	45,947	(2,826)
(27,857)			Opening General Fund Balance as at 31 March 2016		(16,751)					
11,106			Less Deficit on General Fund Balance		828					
(16,751)			Closing General Fund Balance as at 31 March 2017		(15,923)					

NOTES TO THE FINANCIAL STATEMENTS

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

2016/17 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	2017/18		Total Adjustments
			Net Change for the Pensions Adjustments	Other Differences	
£'000		£'000	£'000	£'000	£'000
4,369	Adult & Community Services	1,560	4,190	(12)	5,738
1,926	Chief Executive's Dept & Cabinet	2,435	2,350	(23)	4,762
19,972	Children's Services	13,471	10,782	400	24,653
					-
21,970	Environment & Economy	26,266	5,255	(18)	31,503
4,669	Partnerships (DCC Leads)	3,706	1,924	98	5,728
(119)	Centrally Managed Costs	-	764	1,178	1,942
52,787	Deficit on Provision of Services	47,438	25,265	1,623	74,326
(32,528)	Other Income and Expenditure from the Funding Analysis	(49,295)	20,267	2,646	(26,382)
20,259	Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(1,857)	45,532	4,269	47,944

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

NOTES TO THE FINANCIAL STATEMENTS

11. Long-term contracts (Private Finance Initiative)

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

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

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

Payments 2016/17 £'000	Grants Rcvd 2016/17 £'000		Payments 2017/18 £'000	Grants Rcvd 2017/18 £'000
5,441	(2,546)	Street lighting (provider)	5,790	(2,546)
1,202	-	Street lighting (energy)	1,260	-
2,674	(1,559)	Colfox School (provider)	2,715	(1,559)

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

	Street lighting £'000	Colfox School £'000
Capital repayment	61,099	16,123
Interest charges	4,329	7,907
Service charges	43,455	18,353
	108,883	42,383

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

Assets	Street lighting £'000	Colfox School £'000
Opening balance	44,597	22,916
Additions/developments/lifecycle	1,930	-
Revaluations	-	819
Impairments	-	-
Depreciation	(1,453)	(454)
Closing balance	45,074	23,281

Liabilities	Street lighting £'000	Colfox School £'000
Opening balance	(19,783)	(10,442)
Additions/developments/lifecycle	(1,930)	(241)
Repayments	3,864	726
Closing balance	(17,849)	(9,957)

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

	Payments due within one year £'000	Payments due between one and five years £'000	Payments due after five years £'000	Total future payments £'000
Street lighting	1,699	4,514	11,636	17,849
Colfox School	464	2,483	7,010	9,957
Total future payments	2,163	6,997	18,646	27,806

12. Leases

Dorset County Council accounts for leases in accordance with the Accounting Policies set out in this document.

Specific information for leases is as follows:

Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2016	881	4,748
Leases surrendered	1,878	-
Depreciation charge	(822)	(224)
Carrying amount as at 31/03/2017	1,937	4,524
Leases surrendered	407	-
Depreciation charge	(648)	(219)
Carrying amount as at 31/03/2018	1,696	4,305

NOTES TO THE FINANCIAL STATEMENTS

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2016	(877)	(5,444)
Leases surrendered	(1,878)	-
Capital repayment	680	170
Carrying amount as at 31/03/2017	(2,075)	(5,274)
Leases surrendered	(407)	-
Capital repayment	533	168
Carrying amount as at 31/03/2018	(1,949)	(5,106)

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

	2016/17 £'000	2017/18 £'000	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	581	569	534	2,136	8,805
Finance leases - plant, equipment, vehicles	993	871	714	2,053	-
All finance leases	1,574	1,440	1,248	4,189	8,805
Operating leases - property	697	609	716	2,167	9,408
Operating leases - plant, equipment, vehicles	1,200	692	568	1,632	-
All operating leases	1,897	1,301	1,284	3,799	9,408
All leases	3,471	2,741	2,532	7,988	18,213

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

	MLP £'000	Net Present Value £'000
Finance leases	14,243	9,304
Operating leases	12,291	6,785

Future receipts from leases

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	16	63	235
Operating leases - property	4,498	8,206	12,069

Operating leases above include the following arrangements with Tricuro:

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Operating leases - property	3,215	4,025	-

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

	MLR £'000	Net Present Value £'000
Finance leases - property	314	244
Operating leases - property	24,773	18,645

NOTES TO THE FINANCIAL STATEMENTS

13. Analysis of Government Grants

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

2016/17 £'000		2017/18 £'000
200,255	Education	197,080
10,721	Communities & Local Government	20,280
19,951	Health	20,027
931	Transport	952
576	Environment, Food & Rural Affairs	674
137	Culture, Media & Sport	-
296	Business, Innovation & Skills	292
91	Ministry of Defence	23
400	Home Office	761
341	Other	454
<u>233,699</u>		<u>240,543</u>

14. Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2017/18 are as follows: -

Total 2016/17 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total 2017/18 £'000
	Final DSG for 2017/18 before Academy recoupment			262,708
	Academy figure recouped for 2017/18			(90,670)
172,595	Final DSG for 2017/18 after Academy recoupment			172,038
2,609	Plus: Brought forward from 2016/17			(3,691)
	Agreed initial budgeted distribution in 2017/18	44,094	124,253	168,347
	In year adjustments	(871)		(871)
175,204	Final budgeted distribution in 2017/18	43,223	124,253	167,476
48,744	Less: Actual central expenditure	51,940		51,940
130,151	Less: Actual ISB deployed to schools		124,253	124,253
-	Local Authority contribution for 2017/18			-
<u>(3,691)</u>	Carry forward to 2018/19	<u>(8,717)</u>	-	<u>(8,717)</u>

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

The Total Capital Expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is charged to the Income and Expenditure account with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.

2016/17 £'000		2017/18 £'000
5,692	Expenditure in Service Budgets funded from Capital Adjustment Account	9,451

16. Members' allowances

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

2016/17 £'000		2017/18 £'000
744	Members' Allowances	695

NOTES TO THE FINANCIAL STATEMENTS

17. Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum to be reported. Missing bands have no staff in them for either year (eg £155,000 to £160,000).

2016/17				2017/18		
Non-schools	LEA Schools	VA/VC Schools	Group	Non-schools	LEA Schools	VA/VC Schools
133	91	52	£50,000 to £55,000	130	89	49
73	41	46	£55,000 to £60,000	66	45	42
40	25	10	£60,000 to £65,000	41	16	13
19	22	18	£65,000 to £70,000	27	17	11
11	9	10	£70,000 to £75,000	12	14	4
1	10	7	£75,000 to £80,000	6	12	8
4	9	6	£80,000 to £85,000	5	5	4
1	6	-	£85,000 to £90,000	3	5	3
1	1	1	£90,000 to £95,000	2	3	1
7	1	-	£95,000 to £100,000	5	1	-
4	4	-	£100,000 to £105,000	5	1	1
4	1	-	£105,000 to £110,000	5	3	-
2	-	1	£110,000 to £115,000	1	2	1
-	-	1	£120,000 to £125,000	1	-	-
-	1	-	£125,000 to £130,000	-	-	-
2	-	-	£140,000 to £145,000	-	-	-
-	-	-	£145,000 to £150,000	2	-	-
-	1	-	£150,000 to £155,000	-	-	-
-	-	-	£160,000 to £165,000	-	1	-
1	-	-	£180,000 to £185,000	-	-	-
-	-	-	£185,000 to £190,000	1	-	-
303	222	152		312	214	137

Dorset County Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level.

The Accounts & Audit Regulations 2015 require the disclosure of remuneration of Senior Officers whose salary was £150,000 or more per annum, by name. One such officer exists and is named accordingly. In line with the Authority's published pay policy, information on other senior posts is also disclosed.

2016/17 Total £'000	Post Holder Information	Salary £'000	Allowances £'000	Pension Contributions £'000	Total including £'000
181	Chief Executive Debbie Ward	155	-	33	188
91	Assistant Chief Executive Postholder left 31 Aug 2016 <i>(post deleted wef 1 Sep 2016)</i>	-	-	-	-
-	Director for Adult & Community Services Position currently vacant	-	-	-	-
144	Director for Environment & Economy Current postholder	123	-	27	150
144	Director for Children's Services Postholder left 27 October 2017 <i>(post currently vacant)</i>	71	-	15	86
109	Director of Public Health* Current postholder	121	-	26	147
113	Assistant Directors of Public Health* Current postholder	82	-	12	94
111	Current postholder	109	-	15	124
96	Current postholder	84	-	12	96
82	Current postholder	71	-	10	81
104	Director of Dorset Waste Partnership** Current postholder	89	-	19	108
1,175		905	-	169	1,074

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

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

NOTES TO THE FINANCIAL STATEMENTS

18. Exit packages & termination benefits

The revised Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure. Missing bands have no staff in them (eg £80,000 to £100,000).

Value of exit package	Compulsory redundancies 2017/18	Other 2017/18	Total cost £ 2017/18
Non-Schools			
Up to £20,000	20	12	273,398
£20,000 to £40,000	4	4	229,249
£40,000 to £60,000	3	3	314,013
£60,000 to £80,000	-	1	67,490
£100,000 to £120,000	-	3	316,775
£120,000 to £140,000	-	1	135,123
£160,000 to £180,000	1	1	340,212
£180,000 to £200,000	-	1	192,305
£200,000 to £220,000	-	1	208,449
	28	27	2,077,014
Schools			
Up to £20,000	6	39	223,996
£20,000 to £40,000	2	3	153,351
£40,000 to £60,000	-	1	53,290
	8	43	430,637
Total	36	70	2,507,651

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. No provision is made for these amounts in the 2017/18 accounts as the costs fall to the contingency budget in the year in which they are incurred.

Value of exit package	Redundancies	Total cost £000 2017/18
Up to £20,000	1	12
£20,000 to £40,000	1	24
£40,000 to £60,000	1	46
	3	82

19. Audit fees

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

2016/17 £'000		2017/18 £'000
74	External Audit Services	74
4	Certification of grant/other claims	6
<u>78</u>		<u>80</u>

20. Interest

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

2016/17 £'000		2017/18 £'000
7,482	Interest payable on borrowings (as per I&E)	7,414
(78)	Interest receivable and investing income (as per I&E)	(87)
1,678	Interest payable on service concessions (PFI schemes)	1,589
274	Interest payable on finance leases (property)	266
314	Interest payable on finance leases (plant & equipment)	337
<u>9,670</u>		<u>9,519</u>

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

NOTES TO THE FINANCIAL STATEMENTS

21. Property, plant and equipment

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

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2017	391,776	31,320	376,101	10,049	809,246	8,185	22,249	9,741	5,249	854,670
Additions	4,579	3,072	14,835	-	22,486	834	24,465	5	1	47,791
Disposals	(14,160)	(957)	-	(380)	(15,497)	-	-	(737)	(5,075)	(21,309)
Revaluations	13,576	-	-	-	13,576	-	-	242	(25)	13,793
Transfers	(3,046)	253	7,508	-	4,715	194	(9,572)	(691)	5,354	-
Depreciation	(11,829)	(7,459)	(18,036)	-	(37,324)	(1,643)	-	300	-	(38,667)
Depreciation on assets sold	1,917	750	-	-	2,667	-	-	216	718	3,601
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	1,456	-	-	-	1,456	-	-	(627)	-	829
Net book value as at 31 March 2018	384,269	26,979	380,408	9,669	801,325	7,570	37,142	8,449	6,222	860,708
Asset Financing										
Owned	356,684	25,283	335,334	9,669	726,970	7,570	37,142	8,449	6,222	786,353
Leased	4,304	1,696	-	-	6,000	-	-	-	-	6,000
PFI	23,281	-	45,074	-	68,355	-	-	-	-	68,355
	384,269	26,979	380,408	9,669	801,325	7,570	37,142	8,449	6,222	860,708

Comparative (adjusted) movements for 2016/17 were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

22. Minimum Revenue Provision

This is a memorandum account, operated in accordance with the Local Government Act 2003 and the policy agreed by Members at the budget setting meeting, which requires an annual Minimum Revenue Provision of the previous year's Underlying Borrowing Requirement to be set aside. This summary of transactions within the Capital Adjustment Account is shown for information. The charge for the year is low compared to 2016/17 as the MRP rate was harmonised at 2.5% across all properties, some of which had previously been calculated using 4%, the cumulative impact falling in 2017/18.

2016/17 £'000		2017/18 £'000
10,003	Minimum Revenue Provision	2,852
4,490	PFI Schemes	4,590
849	Finance Leases	702
1,333	DWP Financed Assets	1,776

23. Retirement benefits

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

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

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

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

2016/17 £'000		2017/18 £'000
32,044	Service Cost	52,942
21,597	Net interest on the defined liability (asset)	19,641
548	Administration expenses	602
(28,157)	Movement on Pensions Reserve	(45,533)
	Actual amount charged against council tax for pensions in the year	
(988)	Unfunded Pension Payments	(2,773)
(25,044)	Employer's contributions payable	(24,879)

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

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

%Assets	2016/17 £'000		% Assets	2017/18 £'000
56%	475,865	Equities	54%	491,780
15%	125,915	Gilts	13%	119,122
1%	9,413	Cash	1%	12,777
12%	97,213	Other Bonds	7%	63,768
4%	36,773	Diversified Growth Fund	6%	55,006
		Absolute Return Portfolio		
9%	74,580	Property	10%	91,709
3%	28,334	Infrastructure	4%	32,836
0%	135	Hedge Fund	n/a	n/a
n/a	n/a	Multi Asset Credit	5%	42,815
	848,228	Estimated Assets in County Council Fund		909,813
	1,558,379	Present value of scheme liabilities		1,569,631
	28,019	Present value of unfunded liabilities		25,272
	1,586,398	Total value of liabilities		1,594,903
	(738,170)	Net Pensions Asset / (Liability)		(685,090)

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2016, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2019.

The main assumptions used in their calculations are: -

2016/17			2017/18	
% p.a.	Real		% p.a.	Real
3.6%	0.0%	RPI inflation	3.3%	0.0%
2.7%	-0.9%	CPI inflation	2.3%	-1.0%
4.2%	0.6%	Rate of increase in salaries	3.8%	0.5%
2.7%	-0.9%	Rate of increase in pensions	2.3%	-1.0%
2.7%	-0.9%	Rate for discounting scheme liabilities	2.6%	-0.8%

NOTES TO THE FINANCIAL STATEMENTS

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

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

2016/17		Years	2017/18	
Male	Female		Male	Female
23.90	26.00	Retiring today	24.00	26.10
26.10	28.30	Retiring in 20 years	26.20	28.40

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

2016/17		2017/18
£'000		£'000
1,276,126	Opening defined benefit obligation	1,586,398
32,817	Current service cost	48,289
46,600	Interest cost	42,772
329,360	Change in financial assumptions	(78,541)
17,556	Change in demographic assumptions	-
(86,904)	Experience loss/(gain) on defined benefit obligation	-
(2,856)	Liabilities assumed/(extinguished) on settlements	24,158
(36,512)	Estimated benefits paid (net of transfers in)	(37,057)
	Past service cost	
731	Past service costs including curtailments	1,587
10,468	Contributions by scheme participants	10,070
(988)	Unfunded pension payments	(2,773)
<u>1,586,398</u>	Closing defined benefit obligation	<u>1,594,903</u>

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

2016/17		2017/18
£'000		£'000
677,298	Opening fair value of scheme assets	848,228
25,003	Interest on assets	23,131
118,109	Return on assets less interest	20,072
30,718	Other actuarial gains (losses)	-
(548)	Administration expenses	(602)
26,032	Contributions by employer (including unfunded)	27,652
10,468	Contributions by scheme participants	10,070
(37,500)	Estimated benefits paid (net of transfers in and including unfunded)	(39,830)
(1,352)	Settlement prices received/(paid)	21,092
<u>848,228</u>	Fair value of scheme assets at end of period	<u>909,813</u>

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

2016/17		2017/18
£'000		£'000
(598,828)	Surplus / (Deficit) brought forward	(738,170)
(32,044)	Service Cost	(52,942)
26,032	Employer contributions	27,652
(548)	Administration expenses	(602)
(21,597)	Net interest on the defined liability (asset)	(19,641)
(111,185)	Actuarial Gain / (Loss)	98,613
<u>(738,170)</u>	Surplus / (Deficit) as at 31 March	<u>(685,090)</u>

The estimated employer contribution to the scheme for the period 1 April 2018 to 31 March 2019 is £24.907m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2018.

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

In 2017/18 the County Council paid £11.7m to the TPA (16.48% of pensionable pay). The figures for 2016/17 were £12.3m (16.48% of pensionable pay). The cost of added years payments to ex-staff was £1.5m (£1.5m in 2016/17). There were no contributions remaining payable at the year end.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(iii) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2017/18 the County Council paid contributions of £142k to the NHSPS, being £141k at 14.38% of pensionable pay, and £248 at 14.3%.

(iv) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members pensionable salaries. In 2017/18 the County Council paid contributions of £4k to NEST, 1.0% of pensionable pay.

DCC Group

Tricuro

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

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

SWAP

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

The scheme remains open to new staff to any employees that TUPE into SWAP, however it will close to new entrants from the 1 April 2018. A new scheme will be introduced from 2018/19 for employees not eligible to join the LGPS.

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

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

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

- Dorset
- Bournemouth and Poole

Other partners are:

- NHS Dorset Clinical Commissioning Group,
- Bournemouth Borough Council, and
- Borough of Poole

The gross BCF spend under the Dorset Health & Wellbeing Board for the year was £136.718m.

The Council's contribution to the BCF was £73.021m.

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

2016/17 £'000		2017/18 £'000
1,289	Expenditure	1,329
-	Income	-
<u>1,289</u>	Net DCC Contribution	<u>1,329</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Summary of capital expenditure and financing

2016/17			2017/18	
£'000	£'000		£'000	£'000
		Adult & Community Services		
146		New Construction & Improvements (including REFCUS)	63	
425		Capital Repairs & Maintenance	380	443
	571			
		Cabinet/Whole Authority		
6,470		New Construction & Improvements (including REFCUS)	4,305	
791		Capital Repairs & Maintenance	528	
2,185		Corporate Fleet Vehicle Replacements	1,517	
2,397		ICT	3,754	10,104
	11,843			
		Children's Services		
19,356		New Construction & Improvements (including REFCUS)	13,488	
2,039		Capital Repairs & Maintenance	1,786	
223		ICT	38	15,312
	21,618			
		Environment & Economy		
31,575		Infrastructure Improvements (including REFCUS)	27,637	
52		Capital Repairs & Maintenance	348	
74		ICT	102	28,087
	31,701			
		Dorset Waste Partnership		
446		Infrastructure Improvements (including REFCUS)	681	
2,833		Plant & Vehicles	2,201	
10		ICT	5	2,887
	3,289			
	<u>69,022</u>	Total Capital Expenditure		<u>56,833</u>
		Sources of Finance		
19,791		Borrowing (internal & external)	8,991	
37,851		Grants	38,776	
3,289		Other Contributions	2,887	
1,898		PFI and leases	1,930	
2,429		RCCO	728	
3,764		Use of Capital Receipts	3,521	
	<u>69,022</u>	Total Financing		<u>56,833</u>

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

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

26. Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 25, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2016/17		2017/18
£000s		£000s
849,421	Property Plant & Equipment	854,486
5,249	Assets held for sale	6,222
854,670	Total Assets to be funded	860,708
(113,658)	Revaluation Reserve	(116,709)
(404,669)	Capital Adjustment Reserve	(403,375)
336,343	Capital Financing Requirement 31 March	340,624
(30,225)	Less Long Term PFI Liability	(27,806)
(7,349)	Less Obligations under Finance Leases	(7,055)
298,769	Underlying Borrowing Requirement 31 March	305,763

2016/17		2017/18
£'000		£'000
11,456	Effect on the underlying need to borrow	6,994
11,456		6,994

NOTES TO THE FINANCIAL STATEMENTS

27. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2017/18 and earlier years, which were not completed by 31 March 2018. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

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

2016/17 £'000		2017/18 £'000
	Children's Services	
435	Pimperne Primary School replacement	297
125	Leeson House DDA works	-
290	Lulworth Primary	144
146	Yewstock	-
643	Bere Regis Primary replacement	524
1,828	Damers replacement	785
655	Highcliffe St Marks extension to 3FE	588
6,995	Twynham Primary new 2FE	2,665
3,066	St Osmunds extend to 6FE	698
-	Sherborne Abbey extension to 2FE	925
	Whole Authority	
9,952	Superfast Broadband	4,594
	Environment & Economy	
2,496	Weymouth Relief Road	3,574
2,097	Dorchester Transport & Environment Plan	656
754	Dinah's Hollow	492
-	Blackwater Interchange	6,334
-	Chapel Gate	1,776

28. Asset register

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

2016/17			2017/18		
No	£'000		No	£'000	£'000
39	8,185	Intangible Assets	42		7,570
		Operational Assets			
261	107,633	Land	250	101,064	
174	242,960	Buildings	168	238,154	
51	7,247	Farms - Land	50	9,598	
45	6,496	Farms - Buildings	44	7,867	
4	4,524	Leased buildings	4	4,305	
1	5,140	PFI Land	1	5,140	
1	17,776	PFI buildings	1	18,141	
					384,269
550	16,489	Vehicles	549	13,724	
36	1,926	Leased vehicles	21	1,362	
11	74	Plant	11	51	
279	772	Furniture & Fittings	287	719	
97	12,059	Equipment	113	11,123	
					26,979
2	376,101	Infrastructure Assets	2		380,408
28	10,049	Community Assets	23		9,669
		Non-Operational Assets			
431	22,249	Assets under construction	622	37,142	
31	9,741	Surplus Assets	23	8,449	
6	5,249	Assets held for sale (current assets)	10	6,222	
					51,813
<u>2,047</u>	<u>854,670</u>		<u>2,221</u>		<u>860,708</u>

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

In addition to the above, the Council owns a number of sites which are held pending development or disposal. It is also responsible for the following infrastructure assets. Unclassified Roads no longer include unpaved roads or green lanes.

2016/17 Km		2017/18 Km
396	Principal Roads	396
1,535	Classified Roads	1,535
<u>2,107</u>	Unclassified Roads	<u>2,095</u>
<u>4,038</u>		<u>4,026</u>

NOTES TO THE FINANCIAL STATEMENTS

29. Components

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

The depreciation included in the Comprehensive Income & Expenditure Statement on account of these components is £2245k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £710k (2016/17 = £2287k compared with £739k).

30. Heritage Assets

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

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

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

The three repositories in which the collections are stored meet the requirements of the standard PD5454 (Storage and Exhibition of Archival Material). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipecard access. Only JAS staff and limited numbers of Registration staff can access them.

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

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

31. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities that, amongst other things, governs the way in which surplus cash is invested. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed. The short-term (i.e. less than one year) investment of surplus funds at 31 March 2018 amounted to £0 million (£0 million at 31 March 2017).

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

Joint ventures are also included as an investment of £38k.

32. Long-term debtors

An analysis of amounts due to the Council at 31 March 2018, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police expenditure prior to 1990, and is repayable by Dorset Police in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2016/17 £'000		2017/18 £'000
764	Other Local Authorities	695
294	Interest in Operating Leases	292
3,401	Other	3,419
<u>4,459</u>		<u>4,406</u>

33. Inventories

The Council holds a number of stocks and stores. Stock levels are regularly reviewed to ensure that only necessary stocks are held. Equipment for disabled people issued under the pooled budget arrangement (detailed in Note 24 earlier in this document) has been included.

2016/17 £'000	Stocks	2017/18 £'000
490	Highways and Transportation	383
67	Fuel Scheme	77
179	DWP Inventories	130
309	Community Equipment Store	411
5	Misc small stock items	4
<u>1,050</u>		<u>1,005</u>

34. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2018 is shown below.

2016/17			2017/18	
Debtors £'000	Payments £'000		Debtors £'000	Payments £'000
10,802	-	Central Government Departments	13,962	-
18,414	5	Other Local Authorities	21,980	3
3,053	-	Health	1,487	-
24,218	9,123	Other	11,529	7,612
<u>56,487</u>	<u>9,128</u>		<u>48,958</u>	<u>7,615</u>

NOTES TO THE FINANCIAL STATEMENTS

35. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £58.5m may fall due from the District Councils in Dorset in respect of Section 106 (of the Town and Country Planning Act 1990) planning agreements.

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

36. Assets held for sale

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

Property	Use/Business Segment	2016/17 £'000	2017/18 £'000
Sherborne House & Gardens	Children's Services	1,500	-
Damers Road Store	Surplus	380	380
North Dorset Business Park	Surplus	739	-
Rolls Mill	Surplus	30	-
Christchurch Adult Learning Centre	Adult & Community Services	2,600	2,600
Brackenbury Infants School	Surplus	-	425
Bridport Local Office & St Andrews Pre School	Surplus	-	417
West End House (Greystones)	Surplus	-	475
Pippins Staff Training Centre	Surplus	-	325
Royal Manor Arts College	Surplus	-	1,600
		<u>5,249</u>	<u>6,222</u>

37. Cash (and cash equivalents) and bank balances

Cash in hand includes £0.4m (£0.3m 2016/17) held in interest earning accounts as an alternative to temporary investments. The actual bank balance is managed on a daily basis and kept to very modest limits, usually less than £100k.

38. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2018 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2016/17		Analysis of Loans by maturity	2017/18	
PWLB £'000	Other £'000		PWLB £'000	Other £'000
<u>859</u>	<u>30,560</u>	Short Term Borrowing (less than 1 year)	<u>900</u>	<u>45,000</u>
900	-	Between 1 and 2 years	942	
22,964	-	Between 2 and 5 years	23,105	
11,083	-	Between 5 and 10 years	10,000	
10,000	19,500	Between 10 and 15 years	10,000	19,500
23,816	-	Between 30 and 35 years	31,816	
18,000	-	Between 35 and 40 years	10,000	
-	40,000	Between 40 and 45 years		15,000
-	35,600	More than 45 years		60,600
<u>86,763</u>	<u>95,100</u>	Long Term Borrowing	<u>85,863</u>	<u>95,100</u>
127,768	206,843	Fair Value of Borrowing	<u>125,554</u>	<u>223,655</u>
3.97%	3.18%	Average rate of interest	<u>3.96%</u>	<u>2.85%</u>

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 25, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

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

39. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2018 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2016/17			2017/18	
Creditors £'000	Receipts £'000		Creditors £'000	Receipts £'000
1,494	1,165	Central Government Departments	1,962	482
6,307	6,722	Other Local Authorities	7,785	7,187
47,732	3,005	Other	45,245	8,840
<u>55,533</u>	<u>10,892</u>		<u>54,992</u>	<u>16,509</u>

NOTES TO THE FINANCIAL STATEMENTS

40. Provisions

The Council self-insures most of its insurance claims, funding these internally. Interest is earned on the balances held until they are required. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions at 31 March 2018 are as follows:

	Balance 1 April 2017 £'000	Income £'000	Payments and / or Transfers £'000	Balance 31 March 2018 £'000
Misc Provisions	86	188	200	74
Schools Reorganisations	685	-	285	400
General Insurance Provision	1,871	2,731	1,787	2,815
	2,642	2,919	2,272	3,289

Triggering of the Scheme of Arrangement for MMI

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

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

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

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

Following the updated Levy of 25% imposed on Scheme Creditors from 1 April 2016 in accordance with the Levy Notices, the Company will continue to pay claims at 75% of the agreed settlement amount for affected Scheme Creditors, and pay claims at 100% for non-Scheme Creditor policyholders. It is anticipated that the current balance sheet deficit of £1.4 million will be eliminated by the end of the run-off period.

Solvency II came into force on 1 January 2016. The directors are confident that the Company will continue to meet its regulatory requirements in the future. On an annual basis the group will publish quantitative and qualitative information on Solvency II in a Solvency and Financial Condition Report (SFCR). The next SFCR will be prepared as at 30 June 2017.

The Council currently has six historic claims with MMI holding reserves of 277k. The number has reduced from £421k as at 31 March 2017, of the six outstanding claims two have been robustly repudiated, these two currently hold a joint reserve of £ 134k.

41. Contingent Liabilities

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

42. Other long term liabilities

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

2016/17 £'000		2017/18 £'000
114	SALIX	150
114		150

43. Trust funds and bequests

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

	Balance 1 April 2017 £'000	Income £'000	Expenditure £'000	Balance 31 March 2018 £'000	Capital 31 March 2018 £'000
B Norwood Bequest	2	-	-	2	63
T Elliott Bequest	-	-	-	-	56
M Dorling Bequest	-	-	-	0	67
	2	0	0	2	186

NOTES TO THE FINANCIAL STATEMENTS

44. Capital Adjustment Account

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

2016/17 £'000		2017/18 £'000
391,266	Balance brought forward	404,669
(36,837)	Depreciation & Impairment	(33,707)
(5,692)	REFCUS	(9,451)
(2,256)	Net gains/(losses) on disposal of non-current assets	(3,635)
(2,651)	Net gains/(losses) on disposal of Academy assets	(7,613)
16,674	Minimum Revenue Provision	9,920
2,429	Capital Expenditure Charged to the General Fund	728
37,671	Release of Government Grant	38,942
3,983	Use of Capital Receipts	3,522
82	Transfer from revenue to fund capital expenditure	-
<u>404,669</u>	Balance carried forward	<u>403,375</u>

45. Collection Fund Adjustment Accounts

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

2016/17 £'000		2017/18 £'000
6,680	Balance brought forward	7,238
558	Movement in year	914
<u>7,238</u>	Balance carried forward	<u>8,152</u>

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

2016/17 £'000		2017/18 £'000
(855)	Balance brought forward	(906)
(51)	Movement in year	569
<u>(906)</u>	Balance carried forward	<u>(337)</u>

46. Accumulated Absences Account

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

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

2016/17 £'000		2017/18 £'000
(3,435)	Opening balance	(4,437)
3,435	Reverse previous year provision	4,437
(4,437)	Current year provision	(4,641)
(1,002)	(Charge)/credit to I&E	(204)
<u>(4,437)</u>	Closing balance	<u>(4,641)</u>

47. Capital Grants Unapplied Account

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

2016/17 £'000		2017/18 £'000
17,406	Balance brought forward	18,155
36,776	Receipts	51,612
10	Notional Interest	19
(37,671)	Transferred to Capital Adjustment Account	(38,942)
1,634	Adjusted to revenue reserves	(1,609)
<u>18,155</u>	Balance carried forward	<u>29,235</u>

48. Revaluation Reserve

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

2016/17 £'000		2017/18 £'000
107,134	Balance brought forward	113,658
12,989	Revaluation gains on property, plant & equipment	13,793
(3,315)	Charges for depreciation & Impairment of non-current assets	(4,280)
(1,745)	Net (gains)/losses on disposal of non-current assets	(2,990)
(1,405)	Net (gains)/losses on disposal of Academies	(3,472)
<u>113,658</u>	Balance carried forward	<u>116,709</u>

NOTES TO THE FINANCIAL STATEMENTS

49. Financial Instrument Adjustment Account

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

2016/17 £'000		2017/18 £'000
1,550	Balance brought forward	1,621
-	Deferred Discount on early repayment of debt	(1,423)
71	Soft Loan Interest Adjustment	5
<u>1,621</u>	Balance carried forward	<u>203</u>

50. Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme. The credit balance reflects 2016/17 receipts being used to finance the programme.

2016/17 £'000		2017/18 £'000
(26)	Balance brought forward	19
5,512	Net (gains)/losses on disposal of non-current assets	6,177
-	Usable Capital Receipts funding revenue income from finance leases	-
(3,983)	Use of Capital Receipts to finance new capital expenditure	(3,522)
(1,484)	Flexible use of capital receipts	(1,452)
-	Reclassifications between balances and Reserves	-
<u>19</u>	Balance carried forward	<u>1,222</u>

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

51. Earmarked Reserves

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

	Balance 1 April 2017 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2018 £'000
For revenue purposes				
(a) Capital Financing	-	-	-	-
(b) PFI Reserves	7,904	478	(1,055)	7,327
(c) Medium Term Strategy	13,786	700	(1,925)	12,561
(d) Insurance Reserve	11,032	774	(2,703)	9,103
(e) Trading Account Reserves	516	1,891	(1,930)	477
(f) Innovation/transformation Fund	2,691	97	(297)	2,491
(g) Other Reserves	2,303	1,621	(2,007)	1,917
(h) Reserves from IFRS transition	18,443	13,364	(11,528)	20,279
Total Revenue Reserves	56,675	18,925	(21,445)	54,155

(a) Capital Financing

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

(b) PFI Reserve

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

(c) Medium Term Financial Strategy

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

(d) Insurance Reserve

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

(e) Trading Account Reserves

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

(f) Innovation Fund

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

(g) Other Reserves

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

(h) Reserves from IFRS transition

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

NOTES TO THE FINANCIAL STATEMENTS

52. Movement in balances

Total balances decreased by £0.8m during the year to £15.9m. There was a net overspend of £4.9m on revenue budgets subject to cost centre management arrangements. This is included within the general balances figures in this analysis.

2016/17		2017/18				
£'000		General £'000	LMS* £'000	Retained Schools £'000	Capital £'000	Total £'000
27,857	Brought forward	12,352	5,465	(3,692)	2,626	16,751
(9,797)	Use in year	1,776	(5,465)	3,692	-	3
(1,309)	Additions/outturn	4,338	3,548	(8,717)	-	(831)
16,751	Carried Forward	18,466	3,548	(8,717)	2,626	15,923

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

53. Movement on the General Fund Balance

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

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

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

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

Notes to the Cash Flow Statement

54. Movement in cash and cash equivalents

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

2016/17		2017/18	
£'000	£'000	£'000	£'000
	(11,106)		(828)
		Net surplus/(deficit) to General Fund	
		Movement in accruals items:-	
132		53	
(100)		45	
(94)		9,042	
5,718		5,075	
(633)		647	
	5,023		14,862
		Movement in non-cash items :-	
(9,773)		6,661	
(507)		(1,483)	
1,097		(1,037)	
45		1,204	
	(9,138)		5,345
		Movement in financing items:-	
30,599		14,481	
(2,976)		(3,578)	
-		-	
-		-	
	27,623		10,903
	12,402		30,282
		Increase/(Decrease) in Cash	

55. Movement in net funds

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

	Balance 2016/17 £'000	Movement in year £'000	Balance 2017/18 £'000
Cash in hand and at bank	7,978	30,282	38,260
Temporary investments and borrowing	(31,419)	(14,481)	(45,900)
Leases, PFIs & Other	(37,688)	2,677	(35,011)
Long Term Investments	38	-	38
Long Term Borrowing	(181,863)	900	(180,963)
	(242,954)	19,378	(223,576)

NOTES TO THE FINANCIAL STATEMENTS

56. Critical accounting judgements

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

(i) Asset classifications, valuations and useful lives

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

(ii) Lease classifications

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

The planned introduction of IFRS 16 (the international financial reporting standard for leases) as from the 2019/20 financial year, to replace IAS17 (the international accounting standard for leases), means that the County Council will be required to treat both operating leases and finance leases consistently, and show both classes of lease on the balance sheet. This is likely to have a material impact on the value of assets reported on the Authority's balance sheet.

(iii) Providing for potential liabilities

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

(iv) The DCC Group Boundary

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

(v) Annual impairment assessment - DCC Group

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

The assessment for the 2017/18 Accounts is that there is not a requirement for the Council to recognise any impairment in its interest in either Tricuro Support Limited, the South West Audit Partnership or TRICS Consortium.

57. Assumptions about future funding

As we close the second year of the four-year funding settlement agreed with the Government, there is still uncertainty about funding for Local Government beyond 2019/20 - and concerns about levels of negative RSG in the final year. A number of initiatives are in train, such as transition to 75% business rates retention, reviews of the levels of negative RSG, the fair funding review and Local Government Reorganisation across Dorset. While the general fund balance and earmarked reserves can provide a small buffer and/or a fund for invest to save measures for a range of efficiency initiatives, there is still no guarantee that Council Services can continue to be provided at their current levels.

An analysis of the County Council's general fund and other reserves is provided in the notes to these financial statements.

58. Sources of estimation uncertainty

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

There is one item in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year and that is the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Authority discloses information about the fund elsewhere in this document.

1 INTRODUCTION

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

2 ACCOUNTING CONVENTIONS & MEASUREMENT BASES

The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in accounting policies or notes, or where required by IFRS. Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories and certain financial assets and liabilities. The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

3 REVENUE RECOGNITION

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

The accounting policy will be reviewed upon introduction of IFRS15 Revenue from Contracts with Customers for the 2018/19 accounts.

4 CHANGE OF ACCOUNTING POLICIES

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

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

5 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors. Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

6 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

7 FINANCIAL INSTRUMENTS

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

Financial assets

The Authority has three classes of financial assets being:

- (a) cash and cash equivalents
- (b) investments
- (c) trade receivables.

Trade receivables are recorded within debtors and payments in advance and included in note 34.

Investments are shown either as long term investments or temporary investments in the Balance Sheet and analysed in note 31.

Impairment of financial assets

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

Cash and cash equivalents

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities

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

Short term financial liabilities

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

Long term financial liabilities

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

The accounting policy will be reviewed upon introduction of IFRS9 Financial Instruments for the 2018/19 accounts.

8 CONTINGENT LIABILITIES

In accordance with IAS 37, a contingent liability is:

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

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

9 AGENCY ACCOUNTING

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

10 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

11 INTANGIBLE ASSETS**i Recognition**

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

ii Measurement

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

iii Amortisation

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are amortised over periods ranging from 2 to 4 years.

iv Charges to revenue

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

v Impairment

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

vi Reversal of impairment

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

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

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the

carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

12 FOREIGN CURRENCY TRANSLATION

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

13 GRANTS & THIRD PARTY CONTRIBUTIONS

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

14 INTEREST

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

15 INVESTMENTS

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

16 LEASES

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

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

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

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

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

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2019/20 accounts.

17 LEASE TYPE ARRANGEMENTS

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

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

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

18 PFI schemes

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

19 OVERHEADS (SUPPORT COSTS)

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

Service level agreements defining the agreed quantity, cost and types of service to be provided for individual managers are also used in relation to the limited number of internal trading organisations operated by the Council. Contractual agreements have been established by a number of Directorates of the

Authority to provide services to, amongst others, further education colleges, Care South, Dorset Police, Dorset & Wiltshire Fire and Rescue Authority, Dorset Waste Partnership and Tricuro.

20 PENSIONS

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

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

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

21 PROVISIONS

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

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

22 REDEMPTION OF DEBT

The County Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement in the Comprehensive Income & Expenditure Statement in each financial year as a Minimum Revenue Provision (MRP). Details are shown in the notes to the Financial Statements.

23 RESERVES

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

24 INVENTORIES

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

25 PROPERTY, PLANT & EQUIPMENT**i Recognition**

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

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

Property, plant and equipment is capitalised if:

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

The main assets will be classified as follows (RICS Valuation – Professional Standards UK 2014 (updated April 2015) – UK Appendix 5: 2.1):

Property, plant and equipment (PPE):

These assets form the majority of the County Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others, but would not be held solely for that purpose or they would be re-classified as investment assets (INV). The County Council holds no investment assets which fall to be valued in the 2018 valuation report.

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

Property, plant and equipment - Surplus (PPES):

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

Assets held for sale (AHS):

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

ii Measurement

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

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

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

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

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

Assets are re-valued with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the 2018 valuation report is prepared.

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

In respect of DRC valuations the Valuer will rely on projected BCIS data utilising the first quarter 2017 average prices index for the relevant class of asset. Due regard will be given to the Baseline cost directive where appropriate.

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

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

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

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

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

Level 3 Inputs – unobservable inputs for the asset or liability.

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The assets valued in the 2018 valuation report are not identical and therefore hierarchy 1 reporting and disclosure is not possible. All assets held at PPES and AHS attract a hierarchy level 2 unless specifically stated in the special assumptions of the 2018 valuation report.

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

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

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

As part of the 2018 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

iii Impairment

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

iv Reversal of impairment

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

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

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

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

v Disposals

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

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the County Council has started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget. More details of the Council's agreed use for capital receipts can be found in the January 2017 Cabinet report which is available at dorsetforyou.com.

vi Gains and losses on disposal of assets

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

vii Depreciation

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

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

viii Charges to revenue

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

ix Subsequent expenditure

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

x Componentisation

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

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

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

xi Component derecognition

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

xii Residual values

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

26 DONATED ASSETS

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

27 VAT

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

28 HERITAGE ASSETS

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

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

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

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

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

29 INVESTMENT PROPERTY

Investment property is defined by IAS 40 as property (land or a building, or part of a building, or both) held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of operations.

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

30 ACQUIRED AND DISCONTINUED OPERATIONS

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

Notwithstanding this, note 5 provides information about schools which achieved/plan to achieve Academy status in 2017/18 and 2018/19.

31 EMPLOYEE BENEFITS

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

32 DCC GROUP – BASIS OF CONSOLIDATION

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

33 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DCC GROUP ACCOUNTS

Accounting Policies of entities for which financial statements have been consolidated into the DCC Group Accounts are treated as below:

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



Dorset County Council

Annual Governance Statement 2017/18



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Introduction

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

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

Dorset County Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance & Accountancy) /SOLACE (Society of Local Authority Chief Executives) *Delivering Good Governance in Local Government* framework (2016). These include the additional requirements as recommended by CIPFA in March 2010. A report on the code and the latest assessment of compliance with it was published with the Audit and Governance Committee papers for 12th March 2018 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ.

This statement explains how Dorset County Council has complied with the code. It also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement. This Local Code provides the evidence base for the Review of Effectiveness that supports this Governance Statement.

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

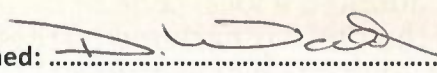
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dorset County Council's desired outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This Governance Statement is therefore also informed by those risks identified as High in the Corporate Risk Register.

The governance framework has been in place at Dorset County Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts. 3

Approval of the Annual Governance Statement 2017/18

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

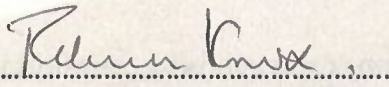


Signed: 

Date: 6.6.18

Debbie Ward, Chief Executive



Signed: 

Date: 6.6.18

Rebecca Knox, Leader of the Council

The Council's Governance Framework "Review of Effectiveness"



The Council has adopted a local code of corporate governance, as a means of demonstrating that a sound level of governance is operated. This local code acts as a means of assurance, but also a mechanism for achieving continuous improvement. This approach is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. The Council's Local Code of Corporate Governance forms the main evidence base for this Review of Effectiveness section of the Annual Governance Statement.

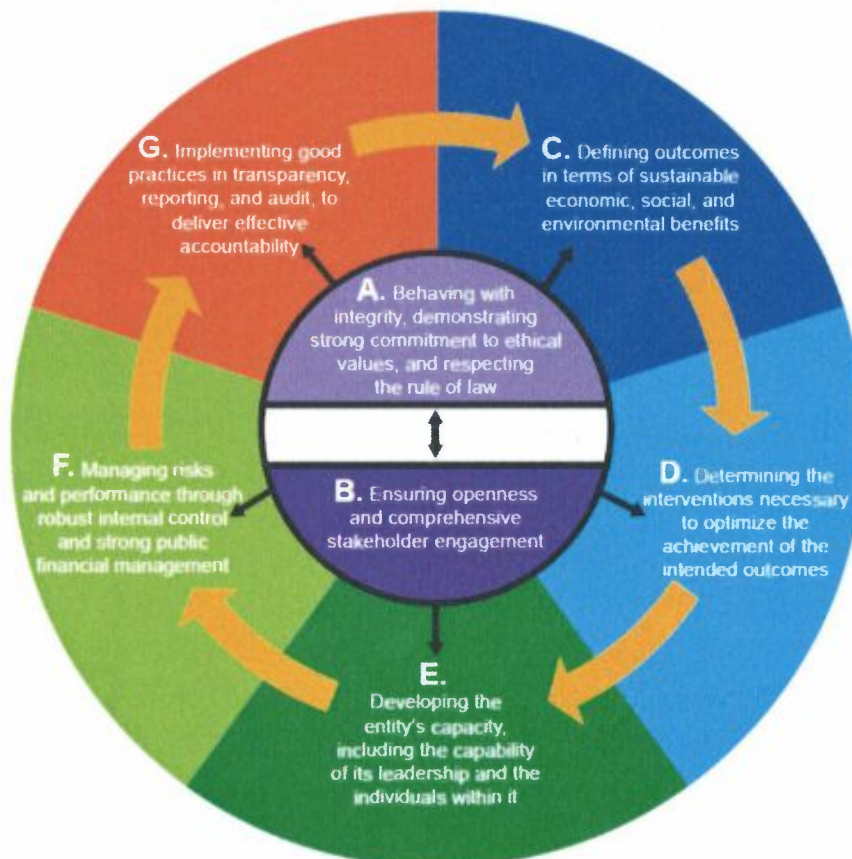
Governance issues can be put into two groups:

- (i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;
- (ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

During the review, there were no elements of the framework for which the judgement is that the County Council is non-compliant. There are however eight areas where it is recognised that further improvement can be made.

The following pages set out a summary of the key governance controls, mapped against the CIPFA/SOLACE agreed principles (see diagram). It is supported by case studies to help demonstrate where positive improvement action has already been taken, and a note of improvement actions that the Council will take.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Our **Constitution** establishes the roles and responsibilities for members of the executive (the Cabinet), Overview and Scrutiny, Audit and Governance and Regulatory Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose, with any proposed changes being considered by the Audit and Governance Committee.

The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions.

The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of and attendance at the Corporate Leadership Team.

The Members' **Code of Conduct** advises an elected member (or voting co-opted member) what conduct is expected of them and whether their conduct constitutes a criminal offence.

A Code of Conduct also exists for staff which sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether this is real or perceived.

We have adopted a **Behaviours Framework** which sets out five behaviours reflecting Dorset County Council's values, and that every member of staff, regardless of their role and grade should be able to demonstrate: Future Focus; Leadership; Integrity; Collaboration; and Responsibility.

Example : Gender Pay Gap

We believe strongly in equal pay for roles regardless of gender. Our gender pay gap, which shows the difference between the average earnings of men and women, is well below the average for public and private sector organisations.

The total overall gender pay level gap is just 1.26 per cent across the Council. The national average is 18.2 per cent.

The Council operates under an Executive (**Cabinet**) model, which oversees the formulation of all major policies, strategies and plans. The Cabinet also lead on the preparation of the Council's budget.

The primary counterbalance to our Cabinet is through the Overview and Scrutiny Committees and the Audit and Governance Committee. These Committees are in place to provide support and a robust level of challenge to the Executive.

Our **Overview and Scrutiny committee** structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it.

The workplans for the Overview and Scrutiny committees have included a number of focused scrutiny reviews to assess the Council's effectiveness.

The **Dorset Health Scrutiny Committee** also continues in its previous role, delivering scrutiny of external health partners and agencies.

The **Audit and Governance Committee** provides a constructive, proactive and objective consideration of the Council's financial, risk, governance, internal control framework, ethical principles and standards.

It has a "**Call to Account**" power to scrutinise and review decisions made or actions taken in connection with the discharge of any of the Executive functions of the Council. The Committee did not need to exercise its 'call to account' powers during 2017/18.

It also has a **Call-in process** to consider executive decisions and can also consider matters referred through the **Councillor Call for Action**. Again, these were not exercised during 2017/18.

Example : Ironman Event 2017

A positive example of the effectiveness of the Call to Account powers relates to the inaugural Ironman Event in Weymouth which took place in 2016. The findings of the scrutiny process focussed in particular on marshalling arrangements and road closures for the 2016 event and established the need for a memorandum of understanding to set out clear roles and responsibilities.

Throughout 2017/18 the Committee scrutinised the preparations for the follow-up event, in partnership with officers and organisers, and were reassured over improvements made. The 2017 was assessed to have been a positive success.

The **Chief Executive** has responsibility for:

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

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

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

It is confirmed that the Council's financial arrangements comply with the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

We are committed to promoting equality of opportunity, valuing **diversity** and eliminating discrimination.

This principle is supported by a **Diversity and Inclusion** policy and Joint Equality Scheme. Two corporate working groups oversee our approach. The Inequalities Group is outward focussed, whereas the People and Wellbeing Group oversees internal impacts.

How can we improve?

A Diversity and Inclusion improvement action plan has been agreed, focussing on improving the Dorset Equality Scheme; our Corporate Working Groups; training and systems/processes.

Cabinet approved a new Dorset Equality Scheme for 2018/19 on 23 May 2018.

Principle B – Ensuring Openness and Comprehensive Stakeholder Engagement

A **complaints procedure** and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met.

An annual report analysing complaints received and their resolution is presented to the Audit and Governance Committee. This Committee also has responsibility for overseeing the investigation of complaints against members.

Our **Communications** team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations

Committee meetings are open to the public, and **agenda papers and minutes** are transparently available on the internet.

Your Dorset is the council's newspaper and is one of our main channels for communicating with the people of Dorset about the services we provide. It's delivered to almost every household in the county (more than 207,000 homes), and feedback from residents consistently shows it is widely read and well regarded.

Public consultation plays a key part in the decision making process, across the full range of the Councils services.

We are committed to **partnership working**. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset.

Guidance on best practice in partnership governance, together with the development of an alternative service delivery model governance and due diligence checklist, helps to ensure that partnership arrangements are as productive and secure as possible.

How can we improve?

We are looking to review and centralise our communication, consultations and engagement functions to make us more resilient, flexible and minimise duplication, helping to make our resources stretch further.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

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

Delivery of this plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

A performance management framework is operated to underpin and monitor the corporate plan, using **Outcomes Based Accountability**.

Committees receive quarterly outcomes focused monitoring reports to assess the performance of the Council and its partners in meeting our outcomes.

Two corporate working groups have an input and assurance role for delivery of our Outcomes Framework: The **Inequalities Group** and the **Policy, Planning and Performance Group**.

Our **Overview and Scrutiny committee** structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it.

The workplans for the Overview and Scrutiny committees have included a number of focused scrutiny reviews to assess the Council's effectiveness.

Example : Superfast Broadband
The Economic Growth Overview and Scrutiny Committee undertook a focussed scrutiny review of our Superfast Broadband Delivery Programme. It considered and assessed the Council's contribution to transforming Dorset into a digital economy in order to fully realise strategic benefits of economic growth, digital inclusion, transformation of public services and opportunities for individuals and communities.

How can we improve?

We are undertaking a review of our operating model to improve how we use our collective resources and arrange our operations to deliver outcomes for our residents.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Each Cabinet member has been assigned as a specific **Portfolio Holder** with roles and responsibility for different themes, such as Health and Care; Safeguarding; Economy, Education, Learning and Skills; Community and Resources; Natural and Built Environment; and Workforce.

The Leader of the Council's portfolio includes Organisational Development, to ensure that the organisation is equipped strategically to provide the best value service. The Leader chairs the **Organisational Transformation Board**

How can we improve?

We wish to improve how we are sighted early on any short, medium and long-term financial pressures in services. We are seeking to achieve this through improved identification and notification of performance issues that have the potential to increase budgetary pressures. This approach forms part of the remit of the proposed new centralised Data, Intelligence and Performance team.

The Local Audit and Accountability Act 2014 requires External Auditors to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources (**Value for Money**).

The 2016/17 report provided a judgement that proper arrangements were in place to ensure informed decisions were made and resources deployed to achieve planned and sustainable outcomes for taxpayers and local people.

How can we improve?

We will centralise our data, intelligence and performance resources to help us become a more data driven organisation.

There are four **Overview and Scrutiny Committees**, aligned to our Outcomes Framework: Safeguarding; Dorset Health; People and Communities; and Economic Growth.

Officer corporate working groups provide both a challenge and assurance role, with their remit mapped against the Healthy Organisation Model. These groups are: Inequalities; Policy, Planning and Performance; People and Wellbeing; Managing Our Assets; and Risk and Resilience. These Groups have a two-way reporting line to both the Corporate Leadership Team and One Council Group.

How can we improve?

We need to be better at aligning our finances with our outcomes framework. Value for money therefore continues to be an area of focus.

Principle E – Developing the County Council’s capacity, including the capability of its leadership and the individuals within it

Appraisal and review processes are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council’s needs.

An extensive **member induction** programme is put in place after the County Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. This is supported by regular member briefing sessions to ensure that members are kept up to date on key issues.

We have an adopted **Health, Safety and Wellbeing at Work** Strategy, supported by Intranet pages with sample risk assessments and good practice guidance.

The **Employee Wellbeing** team provide support to all employees and can offer links to a wide range of external sources of support for employees to look after both their physical and mental wellbeing.

The **Staff Consultative Panel** is responsible for reviewing matters relating to the health, safety and well-being for all county council employees, supported by Directorate level committees. This provides union engagement.

The **People and Wellbeing Group** brings together officers across all Directorates to provide direction, challenge and assurance over employee related issues.

Our **People Plan** for 2015-2020 sets out how we will be working differently to help achieve our vision of 'working together for a strong and successful Dorset'.

How can we improve?

We need to improve the frequency and effectiveness of our People and Wellbeing corporate working group, to ensure better sharing of good practice and ‘One Council’ focus on improvement. This could be achieved through greater integration with the Inequalities Group.

The **Staffing Committee** determines staff terms and conditions; appoints and manages performances issues relating to senior officers.

Principle F – Managing risks and performance through robust internal control and strong public financial management

We have a strong risk management function, which has received positive national recognition from ALARM (the national public risk management association). A risk management policy and strategy has been adopted, and this is reviewed on an annual basis. All reports to committees include a statement to identify any high risks that may relate to the decision to be made.

Risk management is within the remit of the Council's Risk and Resilience Group which draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Risk and Resilience Group also has a focus on emergency planning, business continuity, information governance and governance more generally.

Risk Registers are maintained at a corporate, service and project level to ensure that the authority is able to make risk informed decisions. Corporate risks identified as high are set out in the "Risk Management" section of this Governance Statement, including a summary of improvement actions being taken.

As local government reorganisation approaches for Dorset, the County Council is working with the Programme Office, District, Borough and Unitary Councils to ensure that risk is managed to ensure a smooth transition to the new Authority and beyond. This includes maintaining and reviewing risk registers at both a partnership and County Council level. Similarly work is underway with Health colleagues to better align risk management practices.

A Records Management unit facilitates our approach to information governance. We have temporarily increased capacity within this area, to respond to recommendations made by the Information Commissioners Office and in response to the General Data Protection Regulations (GDPR) which come into effect in May 2018.

We complete an Information Governance Toolkit annually to demonstrate that the organisation can be trusted to maintain the confidentiality and security of personal information, increasing public confidence that the NHS and partner organisations can be trusted with personal data.

How can we improve?

The Information Commissioner's Office were invited in to carry out a review of our information governance arrangements during 2017 and identified a number of areas for improvement. A project team has been established to deliver any outstanding improvements and ensure that the Authority is in a good position to meet its obligations under the new General Data Protection Regulations.

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our **Internal Audit Service**, via a specific responsibility assigned to the Head of Internal Audit (the Group Manager, Governance and Assurance), is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment.

Since April 2010, our operational internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

External audit arrangements provide a financial audit statement, as per the Code of Practice on Local Authority Accounting.

A Value for Money statement is also provided annually. In 2016/17 provided a judgement that proper arrangements were in place to ensure informed decisions were made and resources deployed to achieve planned and sustainable outcomes for taxpayers and local people.

The Council is committed to achieving high standards of integrity and accountability. Our **Anti-fraud, Bribery and Corruption** Strategy sets out our zero policy approach to such acts and records a clear commitment to deal with any cases robustly.

We aim to provide an open environment whereby employees and those working for the Council can raise issues that they believe to be in the public interest.

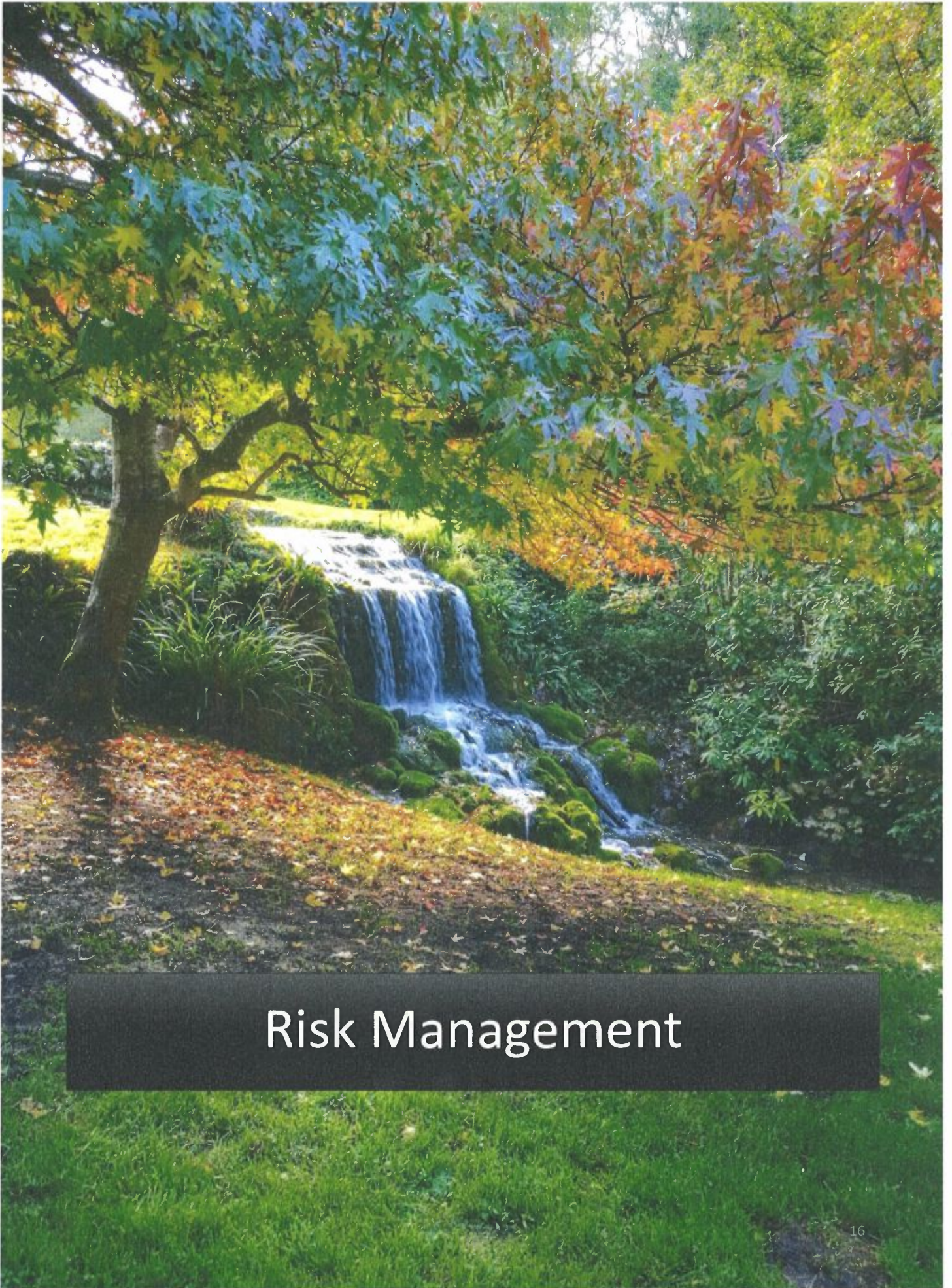
This policy sits alongside our **Whistleblowing** Policy and procedures which provides protection from any harassment, victimisation or other detriment to any whistleblowing on serious wrong doing.

Example : Insurance Fraud

Our Insurance Team take potential fraud very seriously and will pursue action against individuals.

A Dorset man was ordered to pay £12,000 to the Council after a court found he falsely claimed he was injured by tripping in a pothole.

The case received positive exposure in both the local and national press, and led to the withdrawal of four further claims.



Risk Management

Risk Management

As the Annual Governance Statement requires the Council to include those 'significant' governance issues, it is also informed by significant risks which have been assessed as high risks within the Corporate Risk Register in accordance with the councils approved risk criteria.

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

What is the identified risk?

What are we doing to reduce the risk?

Financial Risks

Failure to ensure that learning disability services are sustainable and cost-effective

Mitigation

A complex care panel was established in October 2017 and work undertaken with the CCG to look at joint funded packages of care. A review of existing commissioned service is underway. Red Quadrant were commissioned to review high value packages of care, including learning disability.

A lack of sufficiency (placements/residential/foster care) impacts negatively on the demands led budget for children in care

Mitigation

The transformation programme has specific workstreams to address this risk. As a result of the work done to date, the numbers of looked after children are reducing, but budget pressures remain. Work continues to increase placements within the Dorset estate and increase capacity within the private residential sector. The programme of work includes enabling voluntary sector involvement in the delivery of a work package to support the emergency placement process.

General balances are depleted to a level below operating range

Mitigation

Any in-year overspend will reduce the general balances. If these fall below the lower end of the operating range (£10m) it would be raised as a matter for concern by our auditors. In response, Group Finance Managers continue to liaise with Assistant Directors to develop mitigating actions. There is an increased focus on in-year financial positions via informal Cabinet and significant resource allocation work was carried out during the MTFP and budget strategy work for 2018/19, as reported to Council in February 2018.

Additional savings cannot be identified to bridge the unfunded gap

Mitigation

The largest risk to the programme currently is that even with the identified major transformation programmes there remains a need to deliver substantial savings, particularly in 19/20 but also for delivery of the 2017/18 and 2018/19 programmes. An external transformation adviser has been appointed to challenge future service delivery options.

Failure to keep school finances in balance

Mitigation

There is a continuing concern that Ofsted are putting more schools into a category which will require them to convert to sponsored academy leaving any deficit behind. A loan agreement has been established for schools with a deficit requiring a fixed repayment schedule. However, recent DfE national consultation suggests that this may not be permissible longer term. This would require an alternate response to this worsening risk.

Slippage in achieving savings targets

Mitigation

Ongoing monitoring and challenge continues, via the Organisational Transformation Board. Where appropriate, reserves and balances and central budgets are used to mitigate.

Failure to stabilise the budget for the High Needs Block

Mitigation

High Needs Block Recovery is a key project within the FT for Childrens Services "SEND Improvement" workstream. Schools Forum have not yet agreed the final figures, but will receive a further paper

Failure to achieve capital and revenue budget / savings targets for the Dorset Waste Partnership Medium Term Financial Plan

Mitigation

Pay awards and minimum wage increases provide emerging budget pressures above initial assumptions. DWP will continue to promote educational campaigns (such as 'Right Stuff, Right Bin') to maintain and increase material capture rates for recycling and composting. Further efficiencies to be driven from the existing Recycle for Dorset Service using the in-cab BARTEC system. Move ahead with the development of a central strategic waste transfer station to avoid an uncompetitive situation for disposal / treatment prices in Dorset.

What is the identified risk?

What are we doing to reduce the risk?

Children and Young People

Failure to deliver Education, Health and Care Plans (EHCP) within Statutory Timelines

Mitigation

All statements have been successfully transferred to EHCPs, meeting the deadline of 31st March 2018. However, meeting the 20 week statutory timescale remains challenging. Over the coming months this will be addressed as the team will not be focussing on transfers and the risk will rapidly reduce

Failure to meet statutory and performance outcomes for young people in transition

Mitigation

Dedicated capacity for commissioning and additional social work staffing has been identified in local teams. The transformation programme includes a Transitions project within the Demand Management workstream.

What is the identified risk?

What are we doing to reduce the risk?

Health and Safety

Health and safety risks associated with occupation of premises

Mitigation

The majority of sites now have a nominated Premises Responsible Person. However, restructuring of services and adoption of Corporate Landlord model has reduced local understanding of the Directorate Duty Holder Strategy. Following the Grenfell Tower fire tragedy, a review of fire safety was carried out, including a specific review of individual property risks.

Resilience

Loss of ICT service or data through a cyber attack

Mitigation

Officer awareness and vigilance is key and it has been mandated that all ICT users complete the cyber e-learning module. Currently in the region of 60% have completed the module.

A gap analysis of our cyber defences has been completed and a review of market solutions offering stronger technical defences is underway leading to a proposal for further investment.

Review and refresh of our security policy suite and any associated corrective actions is underway

Local Government Reform

Insufficient professional capability/capacity to deliver the full without impacting negatively on transformation savings programme

Mitigation

Joint Area Committee agreement for a Shadow Authority will have a significant impact on Council capacity. Limited amount of action can be taken until a clear decision is reached on local government reorganisation. Resourcing plans will be developed, and consideration given to additional capacity.

Separate risk registers are maintained to reflect both the County Council's own readiness for reorganisation, but also the wider programme level register maintained across the partnership.

What is the identified risk?

What are we doing to reduce the risk?

Infrastructure

Unable to provide sufficient school places (Basic Need)

Mitigation

A programme of delivery of Basic Need Schools in accordance with agreed timescales/costs is being monitored through relevant groups.

Whilst the framework has been agreed, a sufficiency strategy for school places is being developed to ensure that there is a long term view of school requirements.

The Audit & Governance Committee have requested that the Corporate Risk Register is extended to reflect wider infrastructure risks (i.e. interim solutions for key worker housing; GP surgeries etc).

Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (eg budget reductions; climate change)

Mitigation

For the first time in five years the percentage of the highway network has risen. A 1% increase to 4% coincides with a reduction in the level corporate top up to the structural maintenance budget in 2017/18 of £500,000 with a further reduction of £250,000 planned for 2018/19.

With Band 3 status being maintained for 2018/19, the full allocation from the Department For Transport's Incentive Fund has been secured. Further submissions for central government funding will be made as and when the opportunities arise.

Information Governance

Inadequate information governance framework and culture

Mitigation

Risk increased to High based on the audit carried out by the Information Commissioner in March/April 2017. A SWAP GDPR readiness review in November 2017 has highlighted the issues required to enable compliance with the legislation in May 2018 and an implementation project has commenced and is making positive progress.

What is the identified risk?

What are we doing to reduce the risk?

Technological

ICT solutions are not fit for purpose, sustainable or delivering intended service benefits

Mitigation

Mosaic went live for adults, childrens services and finance on Nov 20th. Since Mosaic went live there has been continued disruption to the availability of Mosaic with periods of poor performance and system unavailability.

The current project team support arrangements will be extended reflecting the disruption and inability to transfer to business as usual.

Mismatch between Council's appetite for ICT enabled change and the overheads of maintaining the ICT estate against the sources of funding for that work

Mitigation

A technology strategy, setting out a change to the deliver of core infrastructure and productivity services as part of a transition to adopting a 'cloud-first' ICT approach has been prepared to underpin the Digital Strategy aspirations.

Work is underway to scope and provide an indicative cost for significant areas of work (Digital Strategy; ICT technical components to support local government re-organisation; Mosaic Project phases 1b, 2a & 2b and General Data Protection Regulations compliance).

What is the identified risk?

What are we doing to reduce the risk?

Workforce

Inability to attract and retain suitably qualified specialist safeguarding staff within Childrens Services

Mitigation

The Forward Together for Childrens Services programme includes a significant focus on reducing this risk, via the Reinvigorating Social Work and Reducing Agency Spend workstreams.

The implications of Brexit (impacts on Dorset businesses and employees)

Mitigation

Policy and funding challenges and opportunities will occur as a result of the withdrawal of the UK from the European Union. Key risks include: Risk to Dorset business; Concerns of employees who are non-UK EU citizens; Wage pressure and availability of Health & Social care; and financial pressure on health and care.

A Brexit Advisory Group has been proposed to explore implications and response further.

Partnership

Capacity, capability and financial pressures on partner organisations impact negatively on the delivery of the Better Care Fund objectives

Mitigation

There is a risk that any decrease or removal of the IBCF in 18/19 will threaten the ability to invest to support HIC Model delivery and DCC's protection of Adult Social Care.

Financial position of all pooled budgets to be monitored and managed in line with Section 75 agreements. Regular updates to be provided from all partners on any changes in financial position, to enable early consideration of any corrective action. System-wide workforce transition plans to be developed to support each programme. An external workforce plan is under development with the provider market, led by DCC.

PENSION FUND ACCOUNT				
2016/17			2017/18	
£'000	£'000		£'000	£'000
		Dealings with members, employers and others directly involved in the Fund		
		Contributions		<i>8 & 9</i>
82,168		Employer contributions	92,166	
26,978	109,146	Member contributions	27,371	119,537
	3,494	Transfers in from other pension funds		8,615
	112,640	Total additions from dealing with members etc.		128,152
		Benefits		<i>9</i>
87,976		Pensions	92,186	
17,421		Commutations and retirement grants	18,989	
2,678	108,075	Death benefits	2,048	113,223
		Payments to and on account of leavers		
364		Refunds of contributions	340	
71	435	State scheme premiums	111	451
	4,024	Transfers to other pension funds		6,237
	106	Net additions/(withdrawals) from dealings with members etc.		8,241
	13,751	Management expenses		14,388
	(13,645)	Net additions/(withdrawals) including Fund management expenses		(6,147)
		Investment Income *		
33,632		Dividends from equities	36,751	
11,828		Rents from properties	12,584	
228		Interest	134	
197	45,885	Other investment income	184	49,653
		Profit on disposal of and changes in the market value of investments		
54,234		Profit/(loss) on disposal of investments	176,585	
383,077	437,311	Increase/(decrease) in market value of investments	(87,870)	88,715
	483,196	Net return on investments		138,368
	469,551	Net increase/(decrease) in assets available for benefits during the year		132,221
	2,266,446	Opening net assets of the fund 1 April		2,735,997
	2,735,997	Closing net assets of the fund 31 March		2,868,218

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

NET ASSETS STATEMENT				
31 March 2017			31 March 2018	
£'000	£'000	Note	£'000	£'000
		Long term investments		
-		Brunel Pension Partnership Ltd		840
		Investment assets		
504,282		UK equities (quoted)	448,550	
629,158		Overseas equities (quoted)	644,160	
1,279,377		Pooled investment vehicles	1,388,985	
77,003		Private equity	76,486	
216,790		Property	255,830	
-		Temporary investments	-	
2,369	2,708,979	Other investment asset balances	6,053	2,820,064
	(4,109)	Investment liabilities		(3,778)
	2,704,870	Total net investments		2,817,126
	3,860	Long term debtor		2,895
		Current assets		
9,287		Trade & other receivables	12,249	
29,778		Cash & cash equivalents	39,995	
	39,065			52,244
		Current liabilities		
(4,213)		Trade & other payables	(4,047)	
(7,585)	(11,798)	Deferred income	-	(4,047)
	2,735,997	Net assets available to fund benefits at 31 March		2,868,218

The above Pension Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2018. The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2017-18 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

1. GENERAL

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

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

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

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

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

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

2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

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

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

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

Benefits payable: Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as trade and other payables (current liabilities).

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

Net Assets Statement:

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

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

Derivatives: The Fund uses derivative financial instruments to manage its exposure to currency risk. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open forward foreign exchange contracts as at 31 March 2018.

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in is line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 17 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

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

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

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

6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are classified as:

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

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

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

7. MEMBERSHIP

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

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

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2018 and 31 March 2017.

31 March 2017	Contributors	31 March 2018
7,309	Dorset County Council	7,155
17,295	Scheduled Bodies	17,899
662	Admitted Bodies	616
25,266	Total Contributors	25,670
	Pensioners	
7,961	Dorset County Council	8,198
10,848	Scheduled Bodies	11,479
1,210	Admitted Bodies	1,277
20,019	Total Pensioners	20,954

In addition there were 22,877 deferred members as at 31 March 2018 who have entitlement to a benefit at some time in the future (22,970 as at 31 March 2017).

8. EMPLOYER CONTRIBUTIONS / TRANSFERS IN FROM OTHER PENSION FUNDS

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

The average contribution rates for the year 2017-18 set by the 2016 valuation were 15.6% for future service and 4.4% for deficit funding. These rates reflect funding levels at the valuation date of 83% and assumes full deficit recovery over a period not exceeding 22 years depending on each employer's circumstances.

The table below provides an analysis of all contributions from scheme employers.

2016/17		2017/18
£'000	Employer Contributions	£'000
56,938	Contributions re future service costs	66,550
22,690	Contributions re past service costs	18,771
148	Voluntary additional contributions	76
2,392	Capital cost of early retirements	3,562
-	Exit payments from employers	3,207
82,168	Total Contributions	92,166

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

9. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

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

2016/17			2017/18	
Contributions £'000	Benefits £'000		Contributions £'000	Benefits £'000
31,461	37,133	Dorset County Council	32,547	37,408
73,461	64,123	Scheduled Bodies	79,464	67,824
4,224	6,819	Admitted Bodies	7,526	7,991
109,146	108,075		119,537	113,223

10. MANAGEMENT EXPENSES

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

2016/17 £'000		2017/18 £'000
1,425	Administration Expenses	1,775
524	Oversight and Governance	532
11,802	Investment Management Expenses	12,081
13,751	Total Management Expenses	14,388

Investment Management Expenses for 2017/18 consist of management fees of £9.3M (£8.2M in 2016-17), performance related fees of £0.5M (£0.7M), transaction costs of £0.5M (£0.8M), custody fees of £0.2M (£0.2M), direct operating expenses relating to investment properties of £0.7M (£1.0M) and other fees and costs of £0.9M (£0.9M), in accordance with the CIPFA guidance "LGPS Management Expenses".

11. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel Ltd) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each of the ten funds own an equal share of Brunel Ltd, with share capital invested by each fund of £840k.

12. INVESTMENT ASSETS

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

31 March 2017			31 March 2018	
Market Value		Portfolio / Manager / Pooled Vehicle	Market Value	
%	£'000		£'000	%
<u>Segregated Investments</u>				
18.40%	504,282	UK Equities - Quoted	448,550	15.70%
	461,719	Dorset County Council	401,402	
	14,699	Allianz	16,771	
	12,910	Investec	14,586	
	14,954	Wellington	15,791	
23.00%	629,158	Overseas Equities - Quoted	644,160	22.60%
	256,188	Allianz	265,107	
	181,056	Investec	181,341	
	191,914	Wellington	197,712	
2.80%	77,003	Private Equity	76,486	2.70%
	42,903	HarbourVest	41,438	
	34,100	Standard Life	35,048	
7.90%	216,790	Property (directly owned)	255,830	9.00%
	216,790	CBRE Global Investors	255,830	
52.10%	1,427,233	Total - Segregated Investments	1,425,026	49.90%
<u>Pooled Investments</u>				
11.50%	313,505	Bonds	204,505	7.20%
	313,505	RLAM / Unit Linked Inv Fund - Life Policy	204,505	
8.50%	233,028	UK Equities - Quoted	245,842	8.60%
	185,413	AXA Framlington / Unit Trust	190,746	
	47,615	Schroders / Unit Trust	55,096	
3.30%	91,232	Overseas Equities - Unquoted	103,281	3.60%
	91,232	JP Morgan / Unit Trust	103,281	
0.00%	-	Multi Asset Credit (MAC)	136,206	4.80%
	-	CQS /	136,206	
0.00%	426	Absolute Return Funds	-	0.00%
	426	Gottex Fund Management / Open Ended Fund	-	
0.90%	24,281	Property	39,547	1.40%
	9,650	Lend Lease Retail Partnership	8,897	
	14,631	Standard Life UK Shopping Centre Trust	14,577	
	-	UK Long Income Property Fund	16,073	
4.40%	119,069	Diversified Growth Funds	173,342	6.10%
	119,069	Barings Asset Management / Non UCITS (PIF)	173,342	
3.60%	98,043	Infrastructure	106,545	3.70%
	36,711	Hermes GPE / Infrastructure Fund	32,964	
	61,332	IFM / Global Infrastructure Fund	73,581	
14.60%	399,793	Liability Driven Investment	379,717	13.30%
	399,793	Insight / LDI Active 16 Fund	379,717	
46.80%	1,279,377	Total - Pooled Investments	1,388,985	48.70%
1.10%	29,778	Cash & Cash Equivalents	39,995	1.40%
100.0%	2,736,388	Total Investments	2,854,006	100.0%

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

13. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

	Value 1 April 2017 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2018 £'000
Equities - Quoted	1,133,440	263,190	303,642	(278)	1,092,710
Pooled Investment Vehicles	1,279,377	210,165	147,991	47,434	1,388,985
Private Equity	77,003	16,436	23,937	6,984	76,486
Property	216,790	29,730	5,641	14,951	255,830
Forward Foreign Exchange	-	1,377	21,001	19,624	-
Sub-Total	2,706,610	520,898	502,212	88,715	2,814,011
Temporary investments	-	-	-	-	-
Cash & Cash Equivalents	29,778	344,386	334,169	-	39,995
Total	2,736,388	865,284	836,381	88,715	2,854,006

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

14. STOCK LENDING

The Fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £184k comprising £157k from UK equities and £27k from overseas equities, net of charges. The value of stock on loan as at 31 March 2018 was £37.2M secured by total collateral worth £40.0M.

15. FAIR VALUE OF ASSETS

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

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

The following tables summarise the Fund's investment assets by class at 31 March 2018 and at 31 March 2017 measured at fair value according to the above fair value hierarchy.

31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	448,550	-	-	448,550
Overseas equities - Quoted	644,160	-	-	644,160
Pooled Investment Vehicles	-	1,242,893	146,092	1,388,985
Private Equity	-	-	76,486	76,486
Property	-	-	255,830	255,830
Temporary Investments	-	-	-	-
Sub Total	1,092,710	1,242,893	478,408	2,814,011
Cash & Cash Equivalents	39,995	-	-	39,995
Total	1,132,705	1,242,893	478,408	2,854,006

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

During the year ended 31 March 2018 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy .

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

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Level 2:			
Pooled investments - unit trusts	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3:			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - hedge funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 3: Pooled investments - property funds	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

(a) Market Risk

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

(a) (i) Other Price Risk

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

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

As at 31 March 2018	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	448,550	15.00%	67,283	(67,283)
Overseas equities - Quoted	644,160	15.00%	96,624	(96,624)
Pooled Investment Vehicles	1,388,985	15.00%	208,348	(208,348)
Private Equity	76,486	15.00%	11,473	(11,473)
Property	255,830	15.00%	38,375	(38,375)
Temporary investments	-	0.00%	-	-
Cash Deposits	39,995	0.00%	-	-
Total	2,854,006	14.79%	422,103	(422,103)

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

(a) (ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate movements on those investments at 31 March 2018 and 2017 are provided below, based on underlying financial assets at fair value.

(a) (ii) Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2017.

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

As at 31 March 2018	Market Value £'000	Change in net assets	
		+1%	-1%
		£'000	£'000
Cash & cash equivalents	39,995	400	(400)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	204,505	2,045	(2,045)
Multi Asset Credit (MAC)	136,206	1,362	(1,362)
Liability Driven Investment (LDI)	379,717	3,797	(3,797)
Total	760,423	7,604	(7,604)

As at 31 March 2017	Market Value £'000	Change in net assets	
		+1%	-1%
		£'000	£'000
Cash & cash equivalents	29,778	298	(298)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	313,505	3,135	(3,135)
Multi Asset Credit (MAC)	0	-	-
Liability Driven Investment (LDI)	399,793	3,998	(3,998)
Total	743,076	7,431	(7,431)

(a) (iii) Currency Risk

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

To mitigate the affect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

	31 March 2018	31 March 2017
Currency	£'000	£'000
US Dollar	279,401	258,366
Euro	51,133	63,364
Japanese Yen	26,319	25,509
Canadian Dollar	20,557	27,423
Hong Kong Dollar	14,942	10,128
Swiss Franc	12,872	11,278
Australian Dollar	9,728	9,956
Singapore Dollar	7,344	9,754
Danish Krone	6,063	5,996
Swedish Krona	3,435	1,542
Norwegian Krone	2,067	6,432
Israeli Shekel	1,865	4,759
New Zealand Dollar	1,394	0
Total Net Exposure	437,120	434,507

(a) (iii) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out below. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2017.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2018 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2018	Change in net assets			
	Currency	%	£'000	£'000
	US Dollar	3.14%	8,773	(8,773)
	Euro	2.63%	1,345	(1,345)
	Japanese Yen	3.38%	890	(890)
	Canadian Dollar	2.23%	458	(458)
	Hong Kong Dollar	0.41%	61	(61)
	Swiss Franc	2.60%	335	(335)
	Australian Dollar	2.57%	250	(250)
	Singapore Dollar	1.71%	126	(126)
	Danish Krone	0.35%	21	(21)
	Swedish Krona	0.28%	10	(10)
	Norwegian Krone	0.35%	7	(7)
	Israeli Shekel	0.77%	14	(14)
	New Zealand Dollar	2.83%	39	(39)
Total			12,290	(12,290)

As at 31 March 2017	Change in net assets			
	Currency	%	£'000	£'000
	US Dollar	3.24%	8,371	(8,371)
	Euro	2.98%	1,888	(1,888)
	Canadian Dollar	1.98%	543	(543)
	Japanese Yen	3.25%	829	(829)
	Swiss Franc	2.70%	305	(305)
	Hong Kong Dollar	0.41%	42	(42)
	Australian Dollar	2.56%	255	(255)
	Singapore Dollar	1.66%	162	(162)
	Norwegian Krone	0.46%	30	(30)
	Danish Krone	0.40%	24	(24)
	Israeli Shekel	0.39%	19	(19)
	Swedish Krona	0.32%	5	(5)
Total			12,473	(12,473)

(b) Credit Risk

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

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

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

The Fund's exposure to credit risk at 31 March 2018 is the carrying amount of the financial assets.

	31 March 2018	31 March 2017
Investment	£'000	£'000
Temporary Investments	-	-
Bank Account Deposits	2,895	2,628
Money Market Funds	37,100	27,150
Assets held in pooled investment vehicles:		
Bonds	204,505	313,505
Multi Asset Credit (MAC)	136,206	-
Liability Driven Investment (LDI)	379,717	399,793
Total	<u>760,423</u>	<u>743,076</u>

(c) Liquidity Risk

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

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2018, liquid assets were £2,376M representing 83% of total net assets (£2,320M at 31 March 2017 representing 85% of total net assets at that date).

17. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2018 were set at the latest valuation calculated as at 31 March 2016. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

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

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

At the 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period was reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 and 2013 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2016	Valuation 2013	
Rate of return on investments	5.40%	6.00%	per annum
Rate of increases in pay (long term)	3.90%	4.20%	per annum
Rate of increases in pay (short term)	2.40%	2.70%	per annum
Rate of increases to pensions in payment	2.40%	2.70%	per annum

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2018 is set out in Appendix C Pension Fund - IAS 26 Disclosures to these financial statements 2017/18.

19. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Equitable Life. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund Accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £321k in 2017-18 (£322k in 2016-17).

20. RELATED PARTIES

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2018 contributions of £2.5M were accrued as at 31 March 2018. Management and administration costs of £1.9M were incurred by the Council and recharged to the Fund in 2017/18. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2018, one member of the Committee was a contributing member of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.9M recharge from the Council includes a charge of £17,000 for the Fund Administrator's time spent working for the Fund.

21. CONTINGENT ASSETS AND LIABILITIES

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2018 do not reflect any potential recovery of tax.

Dorset County Pension Fund

Pension accounting disclosure as at 31 March 2018

Prepared in accordance with IAS26

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Introduction

We have been instructed by Dorset County Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2018.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

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

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Valuation data

Data sources

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

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2018;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- Details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

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

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2018.

We have been notified of 140 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £1,101,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2018 is as follows:

Asset breakdown	31 Mar 2018		31 Mar 2017	
	£000s	%	£000s	%
Equities	1,518,319	53%	1,534,704	56%
Liability Driven Investment	379,717	13%	399,793	15%
Cash	53,367	2%	29,387	1%
Other Bonds	204,505	7%	313,504	11%
Diversified Growth Fund	173,342	6%	119,069	4%
Property	295,377	10%	241,071	9%
Infrastructure	106,545	4%	98,043	4%
Hedge Fund	n/a	n/a	426	0%
Multi Asset Credit	136,206	5%	n/a	n/a
Total	2,867,378	100%	2,735,997	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2018 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

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

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2018, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical assumptions

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

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2018	31 Mar 2017
Retiring today		
Males	24.0	23.9
Females	26.1	26.0
Retiring in 20 years		
Males	26.2	26.1
Females	28.4	28.3

We have also assumed that:

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

Financial assumptions

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

Assumptions as at	31 Mar 2018	31 Mar 2017	31 Mar 2016
	% p.a.	% p.a.	% p.a.
Discount rate	2.55%	2.80%	3.70%
Pension increases	2.30%	2.70%	2.40%
Salary increases	3.80%	4.20%	3.90%

These assumptions are set with reference to market conditions at 31 March 2018.

Our estimate of the Fund's past service liability duration is 20 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where we assumed that CPI was 0.9% lower than RPI.

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

Curtailments

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

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

Over the year, we understand that 140 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £8,186,000. This figure has been included within the service cost in the statement of profit or loss.

Results and disclosures

We estimate that the net liability as at 31 March 2018 is a liability of £2,035,448,000.

The results of our calculations for the year ended 31 March 2018 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2018;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

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

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



Graeme Muir FFA
Partner

Appendix 1 **Statement of financial position as at 31 March 2018**

Net pension asset as at	31 Mar 2018	31 Mar 2017	31 Mar 2016
	£000s	£000s	£000s
Present value of the defined benefit obligation	4,902,826	4,821,680	3,802,083
Fair value of Fund assets (bid value)	2,867,378	2,735,997	2,266,446
Net liability in balance sheet	2,035,448	2,085,683	1,535,637

*Present value of funded obligation consists of £4,728,382,000 in respect of vested obligation and £174,444,000 in respect of non-vested obligation.

Appendix 2 **Asset and benefit obligation reconciliation for the year to 31 March 2018**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2018	31 Mar 2017
	£000s	£000s
Opening defined benefit obligation	4,821,680	3,802,083
Current service cost	171,159	121,527
Interest cost	133,963	139,222
Change in financial assumptions	(148,237)	953,344
Change in demographic assumptions	-	57,811
Experience loss/(gain) on defined benefit obligation	-	(173,300)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(111,296)	(108,061)
Past service costs, including curtailments	8,186	2,076
Contributions by Scheme participants and other employers	27,371	26,978
Unfunded pension payments	-	-
Closing defined benefit obligation	4,902,826	4,821,680

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2018	31 Mar 2017
	£000s	£000s
Opening fair value of Fund assets	2,735,997	2,266,446
Interest on assets	76,716	83,865
Return on assets less interest	49,217	387,144
Other actuarial gains/(losses)	-	-
Administration expenses	(2,307)	(1,834)
Contributions by employer including unfunded	91,680	81,459
Contributions by Scheme participants and other employers	27,371	26,978
Estimated benefits paid plus unfunded net of transfers in	(111,296)	(108,061)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	2,867,378	2,735,997

The total return on the Fund's assets for the year to 31 March 2018 is £125,933,000.

Appendix 3 **Sensitivity analysis**

Sensitivity analysis	£000s	£000s
Present value of total obligation	4,902,826	
Sensitivity to	+0.1%	-0.1%
Discount rate	4,808,846	4,998,737
Long term salary increase	4,912,612	4,893,101
Pension increases and deferred revaluation	4,989,093	4,818,253
Sensitivity to	+ 1 Year	- 1 Year
Life expectancy assumptions	5,085,398	4,727,014

ACADEMY	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
ACCOUNTING DATE	The date to which an organisation makes up its Financial Statements. Like all Local Authorities, DCC's accounting date is 31 March.
ACCOUNTING PERIOD	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
ACCOUNTING POLICIES	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
ACCRUAL	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
ACTUARIAL GAINS AND LOSSES	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
AMORTISATION	Amortisation is the equivalent of depreciation for intangible assets (see below).
ASSET	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
ASSETS HELD FOR SALE	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the Council's plans expressed in financial terms.
CALL TO ACCOUNT	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
CAPITAL CHARGE	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
CAPITAL EXPENDITURE	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long term value to the Authority (also referred to as capital spending or capital payments).
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
CARRYING AMOUNT	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle, less the accumulated depreciation.

COLLECTION FUND	A fund maintained by District, Unitary and Borough councils for the collection and distribution of council tax receipts. County, District, Unitary and Parish Council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
COMMUNITY ASSETS	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An examples would be a country park.
COMPONENT ACCOUNTING	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
CORPORATE & DEMOCRATIC CORE	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
CURRENT ASSETS	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
CURRENT LIABILITIES	Amounts owed by the Local Authority which are due to be settled within 12 months.
CURRENT SERVICE COST	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
DEBTORS	Amounts due to the Authority but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use or consumption of a fixed asset during the accounting period.
DONATED ASSET	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
ESTIMATION TECHNIQUES	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.

FINANCIAL ASSET	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
FINANCIAL INSTRUMENT	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
FINANCIAL LIABILITY	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
FORMULA SPENDING SHARE (FSS)	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
FULL TIME EQUIVALENT (FTE)	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
HERITAGE ASSET	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
IAS	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all Local Authorities are now required to comply.
IFRS	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all Local Authorities are now required to comply.
IMPAIRMENT	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
INVENTORIES	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
INVESTMENT PROPERTY	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
LEASE (EMBEDDED LEASE)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
LEASE (FINANCE LEASE)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
LEASE (OPERATING LEASE)	Any lease which is not a finance lease.
LOCAL MANAGEMENT IN SCHOOLS (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the County Council.
MEASUREMENT	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.

MEDIUM TERM FINANCIAL PLAN (MTFP)	The Council's three-year, rolling, financial plan.
NATIONAL NON-DOMESTIC RATES (NNDR)	Billing Authorities (District and Borough Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
NON-CURRENT ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
NON-DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
OPERATING SEGMENTS	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an Authority's internal management reporting, for example departments, directorates or portfolios. DCC has chosen Directorates as its operating segments.
OTHER OPERATING INCOME AND EXPENDITURE	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement but which should not be charged to specific services.
PAST SERVICE COST	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
PRECEPT	A levy requiring the District and Borough Councils to collect income from council taxpayers on behalf of the County Council. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
PROVISIONS	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
RELATED PARTY	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to DCC if, for example, a person employed by DCC has significant influence over the entity or is a member of the key management personnel of that entity.
REFCUS	Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.
RESERVES	Sums set aside and earmarked to meet the cost of specific future expenditure.
RESIDUAL VALUE	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.

REVALUATION RESERVE	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
REVENUE EXPENDITURE	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature, which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Council in support of its day to day expenditure and distributed on a formula basis.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SEGMENTAL ANALYSIS	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
SERVICE CONCESSION	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
SOFT LOAN	A loan with an interest rate below market rates.
SPECIFIC GRANTS	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
SUBSEQUENT EXPENDITURE	Expenditure which is incurred on an asset after it has begun its useful economic life.
SURPLUS ASSETS	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the County Council from outside contractors or other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRADING UNDERTAKING	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.
UNUSABLE RESERVES	Those that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
USABLE RESERVES	Those that can be applied to fund expenditure or reduce local taxation.