Purbeck District Council

Thriving communities in balance
with the natural environment

Statement of Accounts 2017 - 2018

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Purbeck District Council

Statement of Accounts 2017/18

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1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year 2017/18. Finance is one of the key resources used in delivering the Council's ambition for the district which is articulated in the Corporate Strategy. It is therefore important that the Council's financial performance is viewed in the context of the Council's overall performance in delivering its corporate objectives. Key to this is the Council's risk management and performance monitoring regime as well as its future financial sustainability and resilience, to ensure it can deliver its longer-term vision.

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

Narrative Report on the Council's Performance

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

Responsibilities for the Statement of Accounts

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

Annual Governance Statement

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

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

Statement of Accounts

The Statement of Accounts sets out the Council's financial performance for the year and shows comparisons against the previous year. The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. During 2017/18 there were no changes in statutory functions to take into account.

The Statement comprises the following sections:

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

2. Corporate Strategy

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

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

Copies of the Corporate Strategy 2016/21 can be obtained from the Council's offices at Westport House, Wareham or downloaded from our website at www.dorsetforyou.com/purbeck.

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

3. Council performance

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

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

The **protection of the natural environment** was helped by the adoption of the Local Plan towards the end of 2012, which resulted in a large increase in green belt. In 2013/14, the Council started working on a partial review of the Local Plan, with the aim of completing this by the end of 2017. During 2016/17 there was an acceptance by the Council that decisions to widen the scope of the Partial Review resulted in it being a full review of the Local Plan. The Council has recently consulted on how it can achieve the minimum housing targets assessed using the Government's new methodology, whilst continuing to protect the local environment.

The Council is committed to maintaining what is unique about the district's natural and historic environment. During 2017/18 the Council agreed a new ten year management plan for Upton Woods and completed character appraisals of the last three Conservation Areas to be reviewed. This means character appraisals of all of the district's conservation areas are up to date.

Recycling in the district started to improve from March 2014, with the introduction of a new refuse collection and recycling service. In 2017/18 the recycling performance reached 55%. This service is delivered on behalf of the Council by the Dorset Waste Partnership. The partnership's aim is to achieve an efficient and effective service by which the County Council, as the disposal authority, invests in collection services to reduce total cost and increase recycling.

Progress is being made in **meeting the housing needs of local people** with 21 new units (25 in 2016/17) of affordable housing being completed during the year, compared to the annual target of 25. The additional homes not only increase the number of affordable homes in the district and provide accommodation for homeless families but also generate additional council tax income and attract New Homes Bonus for the Council, which will help fund the delivery of future services.

Towards the end of 2016/17 the Council received a community housing fund grant of £0.91m. The aim of the grant is to help counter the negative impact second homes have on local communities by increasing house prices, making them unaffordable for local people. The grant is to support community led housing initiatives to help local people solve local housing problems by creating affordable homes and strong local communities. The Council is looking for an agency to support community land trusts in the district but has yet to be successful. Nevertheless, the Council is able to help community land trusts with direct financial support.

The Council has made good progress in its preparations for custom and self-build properties. Despite these preparations, the Council has yet to identify any plots of land for this new initiative. The Council has also made good progress in working with partners to reduce the number of unoccupied houses and under-occupied social houses. It is hoped these preparations will help to address the housing problems in the district in the next few years.

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

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

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

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

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

The Council's proposals to develop the local economy have not all been so successful. The proposed redevelopment of the Westminster Road depot site, with the waste partnership, has failed to move forward because of changes in the objectives for the redevelopment.

The Council's objective of "**enhancing local communities**" often involves the Council working in partnership with other agencies. This includes working with and supporting Town and Parish Council's to ensure they reflect the aspirations of local people by having effective neighbourhood plans. Lytchett Matravers' plan has been adopted and plans for Bere Regis and Wareham are moving closer to an examination, which may be achieved during 2018/19.

The Council also works in partnership with various agencies to reduce crime and anti-social behaviour. During 2017/18 there has been a great deal of effort in achieving this objective but the amount of crime has increased. Measures are being put in place to address some of the more common crimes, such as theft from garden sheds.

Data on active participation in sport and active recreation, from Sport England, shows this is increasing in the district. The Purbeck Sports Centre is involved in this increase. The number of Gold Card members has grown during the year. Furthermore, the Exercise Referral Programme at the sports centre has been successful in securing new members.

The Council has achieved its objectives for "**being an efficient and effective council**" with a strong financial performance and good levels of customer satisfaction. Comparison with the performance of other local authorities shows 80% of the Council's services are better than average. The two exceptions are processing new benefit claims and the response to fly-tipping.

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

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

4. Risk and performance management

The Council's approach to service plans is based on an embedded risk management approach. The risks associated with delivering the Corporate Strategy targets are reviewed by each service together with other service delivery related risks. Action plans are developed to mitigate the risks. If the impact of a risk is sufficiently broad or very high it is also identified in the corporate risk register. The risks identified in the service risk registers therefore feed into the corporate risk register as well as the corporate strategy risk register. The 2017/18 review of the Council's risks included the Management Team completing a separate review of the corporate risks facing the Council, which is incorporated into the corporate risk register and feeds into service registers, where steps to mitigate the risks can be taken.

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

The Council monitors its overall performance using the "balanced scorecard". Performance indicators have been identified in each of the dimensions of the scorecard. These indicators are recorded in the performance monitoring system and form part of the monthly and quarterly monitoring regime. The Council uses a traffic light system and three of the four scorecard dimensions were green for good for 2017/18. The exception was learning and growth, which was amber.

Performance is summarised below:

Customer Satisfaction is measured for all of the Council's key frontline services. In 2017/18 satisfaction levels were above 75% for all services. Development management achieved the target of 75% but did not meet its stretch target of 85%.

Business Processes are assessed against key performance indicators. These are achieving the targets set, with the exception of the time taken to process new benefit claims, which averaged over 24 days in 2017/18 compared to the target of 19 days.

Learning and Growth is one of the areas of the balanced scorecard where the Council's performance has not met the necessary level to be defined as good. It has been assessed as amber rather than green. The Council has not met its targets for both long term and short term sickness. Long term sickness tends to be more serious illnesses whereas short term sickness is often taken to be a measure of morale. The Council's performance in ensuring staff receive the training identified as essential in their appraisal has also failed to achieve the target set.

Finance performance is also assessed as amber because the revaluation of the business units at the Quadrant site down by £1.68m. This is a charge against revenue which negates the performance of budget holders in underspending their budgets despite achieving its targets for improving services. The collection of council tax was slightly below target at the year-end but business rates collection rates achieved the target.

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

5. Financial Performance

In 2017/18, the Council received another substantial reduction in its resources from Government, including a reduction of £0.3m in Revenue Support Grant (RSG). The reduction in 2017/18 means the Council has lost all but £0.12m of this support and the remaining support will be lost in 2018/19. Thereafter, the Council will have a negative tariff adjustment, which it will need to pay to the Government, which is anticipated to be £0.26m in 2019/20, although the Government has agreed to review this position. A new finance settlement is due in 2020/21, based on a new fair funding methodology and 75% retention of business rates, which increases uncertainty in the Council's available finances in the medium term.

The reduction in Government support is a challenge and changes to the local government finance system in 2013/14 with the localisation of both business rates and council tax support have added to this challenge. Both of these regimes have added considerable risk to the finances of the Council.

The localisation of business rates results in local authorities sharing in the benefits of any growth in the local economy. Conversely, their incomes reduce if the local economy declines. There is, however, a safety net which caps any reduction at 7½% of the original baseline.

Local authorities now share in the risk of successful appeals against rateable values. This may result in a local authority's income from business rates reducing despite a strong local economy.

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

As a consequence of the need to set aside business rate income in a backdated appeals provision the Council has been on the safety net since 2014/15. The safety net has protected the Council's income from falling more than 7½%. The Council is close to emerging from the safety net thanks to growth in business rates.

To manage the delays in the Collection Fund recovering the deficits created by the backdated appeals, the Council created a NNDR Equalisation Reserve in 2014/15. This reserve was used to hold the payment from the Government for the business rates safety net payment and the refund of overpaid tariff, for 2014/15 and 2015/16, totalling £2.6m. The Collection Fund accounting arrangements meant these deficits were not recovered until 2016/17 when the balance on the reserve was released to the General Fund. The continuing need to provide for substantial backdated appeals generated further deficits resulting in the Council being on the safety net in 2016/17, with the safety net payments and refund of overpaid tariff of £2.6m again transferred to the equalisation reserve. In 2017/18 the Fund fully recovered the deficit which required the release of the balance of £2.6m to the General Fund. Now that the recovery has worked through the complex accounting arrangements over the two years it takes to recover deficits, the sums placed in the Equalisation reserve have proved to be insufficient to fully recover the General Fund position. The under-provisions in each of the previous years totalled £0.5m. The Council has been carrying additional funds in its general fund balance to help it deal with the NNDR accounting and the net deficit in the year of £0.32m has been funded from the balance.

The localisation of council tax support results in local authorities carrying the risk of an increase in these costs. In 2017/18, the Council's costs associated with the localisation of council tax support are in line with its budget assumptions. The financial impact was assumed to increase as more people become entitled to the discount or as people receiving the discount reach retirement age, when they are protected from the scheme but 2017/18 is the first year in which support has increased slightly. The baseline for the additional revenue support grant to compensate for the reduced specific grant for localisation of council tax support is being eroded as RSG is phased out in 2018/19.

The Council achieved its savings targets in 2017/18 following further reductions in staff numbers and some staff reducing their working hours and buying additional annual leave; efficiencies from shared services; and increasing fees and charges.

In 2017/18, the Council increased the council tax in order to protect the value of its baseline funding in the medium term. It increased the council tax by the maximum allowable without triggering a referendum, which was £5, the equivalent of a 2.9% increase.

As a result of the financial decisions taken by the Council, it is well placed to continue to meet the austerity targets set by the Government. The Council's Financial Strategy shows the budget can be balanced until 2022/23, although further savings of around £0.36m will need to be made.

These savings are required in 2019/20 as a result of the tariff adjustment of £0.26m. The Strategy shows the Council planned to use reserves to smooth the savings over three years.

The Council has adequate balances to deal with unforeseen financial difficulties. In 2014/15, based on the new business rates appeal risks, the minimum balance was increased to £0.94m. Following resolution of the problems created by the backdated business rates appeals, the balance can return to its normal level of £0.4m.

Further information on the Council's financial position is available in its Financial Strategy 2017-22 on our website at www.dorsetforyou.com/purbeck

The Core Financial Statements

Before looking at each of the Core Financial Statements, the following Expenditure and Funding Analysis summarises how the Comprehensive Income and Expenditure Statement is adjusted in the Movement in Reserves Statement to arrive at the overall movement in the General Fund balance. The table shows how the sums chargeable to the General Fund of £3.199m are adjusted by accounting transactions totalling £1.968m, such as the addition of depreciation, to arrive at the deficit on the provision of services of £0.80m, shown in the Comprehensive Income and Expenditure Statement, which complies with International Financial Reporting Standards (IFRS).

		2017/18	
Departments	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure Comprehensive Income & Expenditure Statement
	£000's	£000's	£000's
Chief Executive's	1,007	5	1,012
Planning and Community Services	2,516	715	3,231
Public Health and Housing Services	2,564	(463)	2,101
Resources	2,636	(1,682)	954
Non-Distributed Costs	72	0	72
Net cost of services	**8,795**	**(1,425)**	**7,370**
Other Income and Expenditure	(6,027)	(543)	(6,570)
(Surplus)/deficit on provision of services	**2,768**	**(1,968)**	**800**
Opening General Fund balance	6,127		
Surplus (Deficit) on the General Fund Balance	(2,768)		
Net transfers to/from reserves	(160)		
Closing General Fund balance	**3,199**		

- **Comprehensive Income and Expenditure Statement**

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

The Statement of Accounts compares the Council's performance against that of the previous year, however, the key performance measure is against the approved budget. The first section of the Statement shows the net cost of services was £7.370m. When compared to the revised budget the Council made a deficit of £1.16m, as shown below:

2016/17 Actual £000's	**Departments**	**2017/18 Budget £000's**	**Actual £000's**	**Variance £000's**
92	Chief Executive's	1,072	1,012	60
1,266	Planning Services	1,982	3,231	(1,249)
1,365	Public Health and Housing	3,177	2,101	1,076
830	Resources	(21)	1,026	(1,047)
3,553		**6,210**	**7,370**	**(1,160)**

The revised revenue budget of £6.21m, is £0.67m higher than the original budget of £5.43m for the year. The major reason for this increase is £0.37m of virements in respect of pension costs and capital, which are reversed after the net cost of services. In addition, supplementary estimates of £0.18m were approved and there were brought forward budgets of £0.12m. Financial performance is monitored by management and discussed with the Council's Audit and Governance Committee on a quarterly basis.

The table shows the Council's services overspent their budgets by £1.16m because of the downward revaluation of the business units at the Quadrant site at Dorset Innovation Park. The revaluation reduced the value of the site by £1.68m which must be charged to revenue expenditure under International Financial Reporting Standards. Without this revaluation the revenue budget would have underspent by £0.52m.

There are a number of underspent budgets totalling £0.23m, which will be carried forward into 2018/19 and unspent grants of £0.12m and unspent maintenance budgets of £0.14m, shown in Public Health and Housing, which are transferred into reserves to be spent in future years. These adjustments reduce the under-spend by £0.49m to £0.03m. This level of surplus is in line with that reported to Audit and Governance Committee in February 2018.

The table below shows the second half of the Statement, with a net deficit on the provision of services of £1.16m. It compares this to the budget and shows that the Council made a net surplus £1.30m.

The above table starts with the variance against budget at net cost of services which is explained above. The variance in other operating expenditure of £0.62m, largely relates to the receipt of preserved right to buy capital receipts of £0.69m in respect of the Council's share of the income from the sale of former council houses. The variance at taxation and non-specific grant income relates to the receipt of £1.17m capital funding from Dorset County Council towards the Quadrant Scheme at Dorset Innovation Park.

2016/17		2017/18		
Actual £m	**Comprehensive Income and Expenditure Statement**	**Revised Estimate £m**	**Actual £m**	**Variance £m**
3.55	**Net cost of services**	6.21	7.37	(1.16)
1.14	Other operating expenditure	1.50	0.88	0.62
0.64	Financing and investment income and expenditure	0.50	0.47	0.03
(7.25)	Taxation and non-specific grant income	(6.11)	(7.92)	1.81
(1.92)	**Net (surplus) / deficit on provision of services**	**2.10**	**0.80**	**1.30**

- **Movement in Reserves Statement**

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. The deficit on the provision of services of £0.80m, is adjusted in this statement to show the surplus or deficit in respect of the sums charged to the General Fund for council tax setting purposes. The deficit on the General Fund is shown before transfers to, or from, reserves.

This Statement shows the Council made a deficit before transfers to / from reserves of £2.77m.

Actual £m	**Movement in Reserves Statement**	**Revised Estimate £m**	**Actual £m**
(1.92)	**Net (surplus) / deficit on provision of services**	**2.10**	**0.80**
0.24	Adjustments between accounting basis and funding basis under regulations	(1.82)	1.97
(1.68)	**Net (increase) / decrease in the balance before transfers to reserves**	**0.28**	**2.77**

The above table shows that before accounting adjustments the Council made a net deficit of £0.80m but this figure includes a significant number of accounting entries that should not impact on the final General Fund balance. The reversal of the accounting entries totals £1.97m, to arrive at the final net decrease in the General Fund of £2.77m.

The table below shows the deficit of £2.77m and the distribution of £0.16m from the General Reserve reducing the balance brought forward. This leaves the balance on the General Fund at 31 March 2018 at £3.20m.

31/03/17 £m		**31/03/18 £m**
4.55	**Balance at 1 April**	6.13
1.68	Net increase/(decrease) before transfers to reserves	(2.77)
(0.10)	Transfer (to) / from the General Reserve	(0.16)
6.13	**Balance at 31 March**	**3.20**

The General Fund Balance comprises the following elements:

31/03/17 £m		31/03/18 £m
0.95	General Fund Balance	0.62
2.13	General Reserve	2.07
3.05	Earmarked Reserves	0.51
6.13	**Total General Fund**	**3.20**

The General Fund Balance is in line with the Financial Strategy which requires a minimum of £0.4m to be retained, based on an assessment of financial risk.

Capital Programme

The Council has a capital budget in the form of the approved Capital Programme, it also has future projects identified in its unapproved Capital Programme. Both programmes cover a period of five years and can be found as part of the budget report approved by Council in February 2017, which can be downloaded from the Council's website at www.dorsetforyou.com.

The cost of capital does not generally impact on the revenue budget until the asset is complete and then it takes the form of depreciation as the assets are consumed in the delivery of services. The Capital Programme is presented by corporate priority and is monitored by management and the Audit and Governance Committee on a quarterly basis.

The Council incurred capital expenditure of £2.49m in 2017/18. The largest projects were:

Improving the local economy and infrastructure

- Dorset Green Business Park – new build units £2.06m
- Superfast Broadband - £0.09m

Enhancing local community involvement

- Sports Centre improvement works £0.16m.

Treasury Management

The Council remains debt free. During 2017/18, the Collection Fund has recovered the business rates deficit, which has increased the funds available for investment. As a consequence the Council has widened its use of money market funds during the year to spread its exposure to individual organisations and improve its return. It has also increased its use of short term fixed rate investments with banks on its counterparty list and other local authorities.

The Council has only one long term investment of £0.5m in the CCLA Property Fund. The value of the CCLA Property Fund investment has increased to £0.54m by the year-end in addition to the dividends received.

The investment approach of previous years has continued, with reduced liquidity, increased yield and without compromising security.

- **Balance Sheet**

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

The Balance Sheet shows the Council has a net worth of £0.12m, after meeting a pension scheme deficit of nearly £19m. This is an improvement of £4.4 in the net worth, from the 31 March 2017 negative net worth of £4.3m. This movement is due to a reduction in the pension fund deficit of £1.5m and an increase in long-term assets of £3m partly due to a revaluation of fixed assets of £1m.

Current assets have increased by £1m in the year, as the high level of debtors have been converted into £4m of additional cash and cash equivalents. This has occurred due to the reduced distribution of business rates as the deficit brought forward was largely eliminated. Creditors have also increased by £2m, which represents a refund of business rates following the settlement of an appeal, which was assessed in 2017/18 but not paid until early in 2018/19.

The Pension Fund was subject to a triennial revaluation in March 2017. At 31 March 2018, the value of the Council's assets in the Local Government Pension Scheme increased to £29.74m (£28.8m at 31 March 2017) with the assessment of liabilities decreasing from £49.27m at 31 March 2017 to £48.7m at 31 March 2018. As a consequence the pension fund deficit has decreased by £1.51m from £20.48m to £18.97m during 2017/18.

- **Cash Flow Statement**

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

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

The Statement shows there has been an increase in cash of £1.61m. This is due to the Collection Fund deficit from business rates being cleared by the reduced distribution of business rates, offset by additional capital expenditure in the year of £1.5m.

The Collection Fund

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

The Income and Expenditure Statement shows there is a council tax deficit in the year of £0.56m. This has reduced the surplus carried forward to £0.18m, this Council's share of which is £0.02m.

For business rates there is an in-year surplus of £7.97m, which includes the recovery of the deficit brought forward of £7.90m, leaving a surplus carried forward of £0.07m, this Council's share of which is £0.03m. The Collection Fund was in deficit because of the significant level of backdated appeals which have been on-going since 2014/15. It has taken until 2017/18 to fully recover the resultant deficits. The Collection Fund still has a backdated appeals provision of £1.37m, which it is anticipated will be adequate to meet any further backdated appeals.

6. Economy, efficiency and effectiveness

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

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

In addition, as part of the audit of 2016/17, the External Auditor concluded that he was satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for that year. The Council's systems, procedures and controls have not changed in any material way and so the Council would expect a similar conclusion for 2017/18.

7. Local government reorganisation

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

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

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

Steve Mackenzie
Chief Executive, as Chief Finance Officer

Responsibility for the Statement of Accounts
The Council's Responsibilities

The Council is required: -

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2018 required by the Accounts and Audit Regulations 2015 are set out on the following pages.

I further certify that the Statement of Accounts give a true and fair view of the financial position of Purbeck District Council at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

Signed: Steven Mackenzie Date: 24 July 2018

Chief Finance Officer

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

Signed: Cllr Mike Wiggins Date: 24 July 2018

Chair of Audit and Governance Committee

Independent auditor's report to the members of Purbeck District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Purbeck District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Emphasis of Matter - Local Government Reorganisation in Dorset

We draw attention to the disclosures made in note 8 on page 49 of the financial statements concerning local government reorganisation in Dorset. As stated in that note, the Authority will be abolished on 31 March 2019 following local government reorganisation in Dorset. On 1 April 2019 the Authority's assets, liabilities, resources, staff, rights and functions will transfer to Dorset Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 123 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Responsibility for the Statement of Accounts set out on page 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Governance Committee are Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion 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 on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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 in all significant respects the Authority 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 the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2 Glass Wharf, Temple Quay, Bristol, BS2 0EL

25 July 2018

Purbeck District Council

Annual Governance Statement

2017/18

July 2018

1. Introduction

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

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The Council has adopted a Local Code of Corporate Governance which is incorporated into the Council's Constitution. The Code is based on the CIPFA / SOLACE framework of "Delivering Good Governance" which is based on the International Framework: Good Governance in the Public Sector. For the purpose of the Annual Governance Statement, the definition of governance is as stated within the Framework of the International Federation of Accountants:

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

2. Purpose of the Annual Governance Statement

2.1 The Governance Framework comprises the Local Code of Corporate Governance, including the control environment and the system of internal control at the Council. The Annual Governance Statement explains the Council's governance arrangements and how the controls it has in place manage the risks of failure in delivering its intended outcomes. It also provides an assessment of the effectiveness of the Council's governance arrangements. It reports on the outcome of the annual review of the effectiveness of the system of internal control, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015.

2.2 The Annual Governance Statement must be considered with the Financial Statements because it provides assurance concerning the system of internal control, which affects the accuracy and completeness of accounting entries. Consequently the Annual Governance Statement remains a "live" document until the Financial Statements are presented for adoption by the Audit and Governance Committee in July 2018.

3. The purpose of the governance framework

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

4. The governance framework

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

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

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

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

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

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

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

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

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

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

5.4 The Council has always had a robust approach to anti-fraud and corruption and has adopted the Counter Fraud Code of Practice and has reviewed its response to the

Bribery Act 2010. It also implemented a whistle-blowing policy some years ago. This provides the opportunity for members of the public and staff to raise issues when they believe appropriate standards have not been met by Councillors or officers. Staff are periodically reminded of the importance of the whistle-blowing policy through monthly briefings and staff meetings hosted by the Chief Executive.

5.5 The Council ensures it complies with all aspects of the law by ensuring the Solicitor to the Council attends Council and Management Team meetings to provide legal advice, especially on new initiatives and policies.

5.6 The Council also ensures it complies with its internal policies and procedures and that expenditure is lawful, through the completion of a risk based internal audit plan; a performance monitoring system that tracks progress against recommendations; together with the internal control framework which includes segregation of duties, robust budget monitoring and performance management.

6. Ensuring openness and comprehensive stakeholder engagement

6.1 The Council has an open and transparent approach, complying with all aspects of access to information. All Council and Committee meetings are held in public with minimal use of confidential reports. Following the implementation of the Openness of Local Government Bodies Regulations 2014, the Council allows members of the public to record and report Council and Committee meetings.

6.2 The Council is keen to communicate with local people and uses a variety of communication channels to achieve this. It has an up to date communication strategy, with a clear approach to its use of social media; publishes a variety of information on its website; undertakes public consultation in a variety of ways; has a public participation session at the start of all Council and Committee meetings; has a periodic publication "About Purbeck", delivered to every household; and encourages self-service for customers but also supports face to face communications for those who are unable to use other means.

The Council produces a short annual report with summary financial information, which is published in "About Purbeck". This enables local people to understand the role of the Council and judge its effectiveness.

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

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

7.2 The Council's Corporate Strategy translates its vision for Purbeck into corporate priorities which are the intended outcomes for local residents and service users, taking account of community aspirations. It is reviewed regularly, taking account of feedback through public satisfaction surveys and the views of stakeholders. The Strategy has been designed to fit a single sheet of A4 paper to make it: easy to read and remember; accessible for the public, staff and Councillors; focused on targeted outcomes that are achievable; can be displayed in meeting rooms, offices and reception; and easily read or downloaded from the website.

7.3 To ensure delivery of the Corporate Strategy, it is supported by the Financial Strategy, risk based Service Action Plans and individual objectives agreed via the officer appraisal process. These include targets and, where appropriate, service standards against which service quality and improvements are judged. Where significant Council services such as waste collection and revenues and benefits are delivered in partnership, the service plans of those partnerships are driven by Boards, which include councillor representation. This ensures the plans are aimed at delivering intended outcomes for local people. In addition, the Council is able to influence important countywide boards dealing with Health and Wellbeing, Safeguarding and Crime and Disorder through the attendance of Councillors and staff, as appropriate.

7.4 The Council has a formal complaints procedure, which requires complaints to be answered by the service, in the first instance. Where the complainant is not satisfied by the response the complaints are escalated to the Chief Executive. Eventually, complaints can be escalated to the Local Government Ombudsman.

8. Determining the interventions necessary to optimise the achievement of the intended outcomes

8.1 To ensure that decisions are focused on delivering the Council's vision through its corporate priorities all Council and Policy Group reports define the impact of proposals by reference to the Council's corporate priorities. These feed through to the service plans of each of the departments and the objectives of each individual member of staff.

8.2 To ensure projects are clearly aimed at delivering corporate priorities and are delivered effectively the Council has developed a Project Management Handbook. The Handbook has been subject to a light touch review, recognising it is unlikely to be used April 2019.

8.3 The Council is committed to providing value for money to its residents and customers. It has developed guidance for officers and Councillors in the review of the Council's services. These reviews are undertaken where a service has been identified as potentially high cost and/or performing poorly. Training has been provided for Councillors and officers in the use of the guidance.

9. Developing the Council's capacity, including the capability of its leadership and the individuals within it

9.1 The Council's staff are its most important resource and the Council is committed to developing its workforce. The Council undertakes workforce planning to match its existing workforce with any expected changes in roles and skills. A revised Workforce Development Plan has been agreed by the Council's Management Team. It addresses the new requirements associated with apprenticeships and the structural reorganisation of local government in Dorset.

9.2 Councillors and officers have agreed job descriptions to guide their roles, which are kept up to date. The roles of Councillors are set out in the Constitution, which is available on the Council's website so that local people are able to understand their roles. The job descriptions of staff are periodically reviewed as part of the annual appraisal process. They are also being reviewed in preparation for the transfer of the staff to the new unitary Dorset Council.

9.3 The Chief Executive, as the Head of Paid Service, keeps the Council's establishment of posts under review to ensure austerity targets are met whilst retaining the capacity to deliver Council services.

9.4 The statutory role of Monitoring Officer is assigned to the Council's Solicitor. He is very experienced in all aspects of the role having performed the role at other councils in the past. He attends Council and Management Team meetings so that he has a keen grip on the issues facing the Council and is able to provide advice to ensure the Council does not breach regulations or legislation.

9.5 The statutory role of Chief Finance Officer provides further assurance that decisions, actions and transactions are in line with approved budgets and procedures, ensuring proper stewardship of public funds. In particular, the financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Chief Finance Officer is supported by a clear set of financial procedure rules which stress the importance of strong financial management and internal control.

9.6 The Internal Audit Partnership Manager has regular meetings with the Chief Finance Officer and his Deputy to ensure audit findings are addressed quickly and to ensure audit activity is targeted on new and emerging risks to the organisation.

9.7 The training needs of individual officers are identified through appraisal and review processes. Training is made available to ensure individuals are able to undertake their present roles effectively and that they have the opportunity to develop to meet their ambitions and the Council's future needs, including development for senior and strategic roles. The Council has continued its commitment to general management training by supporting various officers on management courses. In addition, General Managers and HR staff attend Employment Law updates. The current emphasis of the corporate training programme is to prepare the staff for their impending transfer to the new Dorset Council. This includes training in job application and interview techniques, change management and leadership.

9.8 The Council provides training for Councillors, which reflects both general needs and specific training as required, such as changes in the legislative framework for the Council's services. In addition, the Council is committed to developing the leadership skills of Councillors and several have completed the Local Government Association's Leadership Programme.

9.9 The Council first achieved Investors in People in 2008 and it continues to meet the IiP standard. In 2017, the Council was reassessed and the report was positive in all respects and acknowledged the challenges that the Council has had to deal with, and now faces, including local government reorganisation. Furthermore, the Council's Revenues and Benefits Partnership achieved IiP status some years ago and at its latest assessment achieved the silver standard.

9.10 The Council understands the importance of partnership working. Guidance on best practice in partnership governance has been prepared and is available in the form of a

Partnership Toolkit. The implementation of the toolkit resulted in the Council reviewing its involvement in all of its partnerships and the consequent withdrawal from those that were not considered to be effective. The Partnerships Register and Toolkit have been reviewed.

10. Managing risks and performance through robust internal control and strong public financial management

10.1 Councillor scrutiny is undertaken, primarily, by the Council and the Audit and Governance Committee. The role of the Council in scrutiny involves the potential call-in of decisions and activities undertaken by the Council. The Audit and Governance Committee performs the core functions of an audit committee, as set out by CIPFA. It is concerned with the scrutiny of performance against objectives and financial performance, together with the oversight of internal and external audit activity and the review of significant audit findings. The Audit and Governance Committee also has responsibility for the oversight of the Council's arrangements for risk management, because of its close links to the Council's approach to service plans, performance management and audit activity.

10.2 Quarterly reporting of performance to all Councillors takes place via the Balanced Scorecard contained in the Performance Bulletin. This Bulletin is also submitted to the Audit and Governance Committee for discussion and scrutiny. The Audit and governance Committee is able to review the detailed budgets and the Council determines the strategy for the preparation of the annual budget. In-year quarterly reports on performance against revenue and capital budgets and treasury management are submitted to the Council's Audit and Governance Committee. An annual report analysing complaints to the Ombudsman and their resolution is also presented to the Committee.

10.3 The Council has developed its approach to service planning by ensuring it is supported by service risk registers. This puts risk management at the heart of the Council's approach to service plans.

10.4 The annual internal audit plan is based on a risk assessment including an assessment of the risk of fraud. Audit activity in each year includes a review of those functions of the Council which may be more susceptible to fraud. The arrangements are always found to be strong.

11 Implementing good practices in transparency, reporting and audit to deliver effective accountability

11.1 Internal Audit has a key role to play in the governance framework, delivering an independent review of the effectiveness of the system of internal control. The in-house audit team have been managed through a partnership arrangement with New Forest District Council. This has the advantage of increasing the independence of internal audit whilst minimising its cost. From the 1 April 2018, this management arrangement has transferred to the Southern Internal Audit Partnership.

11.2 The role of Head of Internal Audit meets the CIPFA standards and the Audit and Governance Committee receive an annual report on compliance with various internal audit standards.

11.3 In 2017/18, Internal Audit completed the audit plan, as usual, and made many recommendations designed to improve the system of internal control. Generally, these recommendations addressed areas of low risk. Their implementation is monitored using the Council's performance management system. One high risk recommendation was made concerning access control and security over the public health complaints system. This has been rectified following the audit.

11.4 Following the 2016/17 external audit of the Council, the external auditors, as usual, were complimentary about the level of help and support provided by the Council's staff and the quality of the working papers made available.

12 Review of effectiveness

12.1 Purbeck District Council reviews the effectiveness of its local code and governance framework including the system of internal control, and the key elements identified in the CIPFA Solace "Delivering Good Governance" annually. The review of effectiveness is informed by members of the Management Team who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report and by comments made by the external auditors.

12.2 The Council is responsible for setting the Local Code of Corporate Governance, and for keeping it up to date. The Audit and Governance Committee is responsible for ensuring the Chief Executive has overseen compliance.

12.3 The Chief Executive is responsible for:-

(a) overseeing compliance with the Local Code of Corporate Governance and its seven principles,

(b) discussing with Management Team, compliance with the Local Code and any changes that may be necessary to improve compliance.

12.4 The review of compliance with the governance framework has involved:

(a) Review by lead officers of the latest position concerning complaints.

(b) Review of the overall assessment of internal control by the Chief Finance Officer and Deputy.

(c) Assurance from the Monitoring Officer and Deputy that the Council has complied with legislation and with compliance with Codes of Conduct

(d) Assurance from the Head of Internal Audit based on the audit team's work during the year.

(e) Assurance from the HR Manager on compliance with the Council's policies and procedures for managing people.

(f) Assurance from the IT Manager on compliance with the Council's IT policies for the Public Service Network.

(g) Review of the draft Annual Governance Statement by the Management Team.

13 Significant governance issues identified in the 2016/17 Statement

The significant governance issues identified last year and their progress is as follows:

a) Complete the review of the Council's Project Management handbook. A light touch review has been completed.

b) Finalise the Workforce Development Plan. This has been completed.

c) Local government re-organisation.

14 Significant governance issues identified in the 2017/18 Statement

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

a) Senior management and Councillor attention being distracted from the governance of the Council by focusing on the preparations for the new unitary Dorset Council;

b) The disruption of Council services and the loss of corporate memory by the loss of experienced staff who decide to secure their future employment elsewhere.

These risks have not caused any concerns during 2017/18. They will be kept under review during 2018/19 to ensure they continue to be managed well.

15 Opinion

15.1 Reliance can be placed on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

15.2 Furthermore, the Local Government Association undertook a Peer Challenge of the Council in March 2016. This concluded the Council is proactive in striving to achieve a balance between the environment and development; and it has a clear vision and priorities based on a good understanding of the local area and communities.

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

16 Commitment

We propose, over the coming year, to take steps to ensure the Council continues to be well managed and continues to achieve its objectives.

Signed: Cllr Mike Wiggins **Dated:** **24 July 2018**

Chair of Audit and Governance Committee

Signed: Mr Steven Mackenzie **Dated:** **24 July 2018**

Chief Executive

Purbeck District Council

Statement of Accounts 2017/18

Section 1
Core Financial Statements

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

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

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

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

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

Comprehensive Income and Expenditure Statement

2016/17				2017/18			
Expenditure £000	Income £000	Net £000		**Expenditure £000**	**Income £000**	**Net £000**	Notes
348	(256)	92	Chief Executive	1,213	(201)	1,012	
2,297	(1,031)	1,266	Planning and Community Services	4,303	(1,072)	3,231	
4,339	(2,974)	1,365	Public Health and Housing Services	4,532	(2,431)	2,101	
15,375	(14,623)	752	Resources	14,839	(13,885)	954	
78	0	78	Non distributed costs	72	0	72	
22,437	(18,884)	3,553	**Net Cost of Services**	24,959	(17,589)	7,370	9-16
1,425	(283)	1,142	Other operating expenditure	1,625	(744)	881	17
690	(52)	638	Financing and Investment Income and Expenditure	543	(69)	474	18
0	(7,254)	(7,254)	Taxation and Non-Specific Grant Income	0	(7,925)	(7,925)	19,20
24,552	(26,473)	(1,921)	**Net (Surplus) or Deficit on Provision of Services**	**27,127**	**(26,327)**	**800**	16
36	0	36	Re-measurement of net pension scheme liability	(2,428)	0	(2,428)	38
8	0	8	(Surplus) / deficit on revaluation of available-for-sale financial assets	(17)	0	(17)	
(19)	0	(19)	Surplus on Revaluation of Non-Current Assets	(2,752)	0	(2,752)	
25	0	25	**Other Comprehensive Income and Expenditure**	**(5,197)**	**0**	**(5,197)**	
24,577	(26,473)	(1,896)	**Total Comprehensive Income and Expenditure**	**21,930**	**(26,327)**	**(4,397)**	

Movement in Reserves Statement

2016/17 Usable Reserves £000	2016/17 Unusable Reserves £000	2016/17 Total Reserves £000		2017/18 General Fund £000	2017/18 Capital Receipts Reserve £000	2017/18 Capital & CIL Grants Unapplied £000	2017/18 Total Usable Reserves £000	2017/18 Unusable Reserves £000	2017/18 Total Reserves £000	Notes
7,054	(13,223)	(6,169)	**Balance at 31 March 2017**	**6,127**	**2,144**	**525**	**8,796**	**(13,069)**	**(4,273)**	
1,921	(25)	1,896	Total Comprehensive Income & Expenditure	(800)	0	0	(800)	5,197	4,397	
(64)	64	0	Adjustments between accounting basis & funding basis under regulations	(1,968)	(381)	269	(2,080)	2,080	0	21 22
1,857	39	1,896	Net Increase / (Decrease) before Transfers to Reserves	(2,768)	(381)	269	(2,880)	7,277	4,397	
(115)	115	0	Transfers to/(from) balances and reserves	(160)	0	0	(160)	160	0	
1,742	154	1,896	**Increase / (Decrease) movement in Year**	**(2,928)**	**(381)**	**269**	**(3,040)**	**7,437**	**4,397**	
8,796	(13,069)	(4,273)	**Balance at 31 March 2018**	**3,199**	**1,763**	**794**	**5,756**	**(5,632)**	**124**	21
			Notes	39	39	39		40		

Balance Sheet

As at 31st March 2017 £000's		As at 31st March 2018 £000's	Notes
	Property, Plant and Equipment		
5,081	Operational Land & Buildings	8,821	
190	Operational Surplus Assets	185	
131	Vehicles, Plant & Equipment	139	
15	Community Assets	15	
3,857	Infrastructure Assets	3,637	
711	Assets Under Construction	0	
9,985		**12,797**	23
	Other Long Term Assets		
129	Intangible Assets	135	26
521	Long-term Investments	538	27&28
242	Long Term Debtors	241	29
10,877	**Long Term Assets**	**13,711**	
	Current Assets		
2,000	Short Term Investments	5,000	30
3	Inventories	3	31
140	Assets Held for Sale	0	32
6,892	Short Term Debtors	4,126	33
2,933	Cash and Cash Equivalents	3,819	34
11,968		**12,948**	
(5,054)	**Current Liabilities - Creditors**	(6,996)	35
17,791	**Assets less Current Liabilities**	**19,663**	
	Long Term Liabilities		
(1,575)	Provisions	(563)	36
(12)	Other long-term Liabilities	(11)	37
(20,477)	Pensions Liability	(18,965)	38
(22,064)		**(19,539)**	
(4,273)	**Net Assets**	**124**	

Balance Sheet – continued

As at 31 March 2017 £000's		**As at 31 March 2018 £000's**	Notes
	Usable Reserves		
6,127	General Fund	3,199	39 a-d
110	Capital Grants Unapplied	109	39 e
2,144	Capital Receipts Reserve	1,763	39 f
415	Community Infrastructure Levy Reserve	685	39 g
8,796		**5,756**	
	Unusable Reserves		
(44)	Accumulated Absences Account	(46)	40 a
21	Available for Sale Financial Instrument Reserve	38	40 b
8,432	Capital Adjustment Account	9,345	40 c
105	Council Tax Adjustment Account	26	40 d
(3,155)	NNDR Adjustment Account	156	40 e
(20,477)	Pensions Reserve	(18,965)	40 f
2,049	Revaluation Reserve	3,814	40 g
(13,069)		**(5,632)**	
(4,273)	**Total Reserves**	**124**	

I certify that these accounts were approved by the Audit and Governance Committee of 24th July 2018.

Signed: **Steven Mackenzie** **Date: 24 July 2018**

Chief Finance Officer

Cash Flow Statement

2016/17 £000		**2017/18 £000**	Notes
1,921	Net surplus or (deficit) on the provision of services	(800)	
319	Adjustment to surplus or deficit on the provision of services for non cash movements	3,724	42
(1,332)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,303)	42
908	Net Cash flows from operating activities	**621**	42
(2,283)	Net Cash flows from Investing Activities	(3,899)	44
651	Net Cash flows from Financing Activities	4,164	44
(724)	**Net increase or (decrease) in cash and cash equivalents**	**886**	
3,657	Cash and cash equivalents at the beginning of the reporting period	2,933	
2,933	Cash and cash equivalents at the end of the reporting period	3,819	
(724)	**Increase/(decrease) in cash**	**886**	

Purbeck District Council

Statement of Accounts 2017/18

Section 2
Notes to the Core Financial Statements

General Notes

Note 1. Accounting Standards issued but not yet adopted

There are four new standards issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code):

- IFRS 9 Financial Instruments – investments (collective investment vehicle)
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 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

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

Note 2. Accounting Policies

General Principles

The annual Statement of Accounts, which is a summary of the Council's transactions for the financial year 2017/18, and its financial position at the 31 March 2018, is prepared in accordance with the Accounts and Audit Regulations 2015, and proper accounting practices. These practices primarily comprise the Code, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, clarity and materiality. All material transactions have been disclosed and the accounts include relevant accruals. The accounts have been prepared on a 'going concern' basis, on the presumption that the Council is able to continue in operation. However, the Council has given its consent to the reorganisation of local government in Dorset, which will take place on 1 April 2019. This consent has been given as a recognition by the Council that the change would be imposed on the Council because other councils in Dorset, most notably the upper tier councils are struggling to address the austerity requirements imposed on them by the increasing demand for social care at a time of reducing resources.

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

Policy 1. Accounting Estimates

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

There are no changes in the basis of accounting estimate.

Policy 2. Accounting Policy Changes

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

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

Policy 3. Accruals of Income and Expenditure

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

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

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

Policy 4. Business Rate Appeals (Collection Fund)

From 1 April 2013, the Government introduced a new business rates retention scheme. This scheme transferred the risks associated with collecting business rates from the Government to being shared with local government. As the billing authority for the area, this Council administers the scheme. Risks and rewards are now shared equally between the Government and local authorities. In this this area the shares are: Government 50%, Purbeck District Council 40%, Dorset County Council 9% and Dorset and Wiltshire Fire and Rescue Authority 1%.

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

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

The backdated appeals provision at the start of the year was £3.9m. In year, refunds of £2.2m were charged to the provision and, following a reassessment, £0.3m was released, resulting in a net decrease of £2.5m to £1.4m. The provision remains against the risks around the 2010 list but also the first year of the 2017 list.

Policy 5. Cash and Cash Equivalents

Cash is not only cash in hand but also deposits with financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. However, bank overdrafts do not form an integral part of the Council's cash flow management and the Council did not have an overdraft at 31 March 2018.

Policy 6. Contingent Assets and Liabilities

a) Contingent Assets

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

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

b) Contingent Liabilities

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

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

Policy 7. Employee Benefits

a) Benefits Payable During Employment

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

b) Exit Packages

Termination benefits are amounts payable either because of a Council decision to terminate an officer's employment before normal retirement date, or because of an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement. There were no exit packages in the financial year 2017/18, see **Note 11**.

c) Discretionary Benefits

The Council also has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. No discretionary awards were made during 2017/18.

d) Post Employment Benefits

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

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

The Fund Actuary has discounted liabilities taking into account the estimated employer's past service liability duration of 18 years and used a Single Equivalent Discount Rate. The net present value of the notional cash flows, discounted at this single rate equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve. This is a change from the "spot rate" used last year. The Actuary has used this rate, which complies with (IAS) 19, as it reflects national auditor preferences.

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

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

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

Policy 8. Events After the Balance Sheet Date

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

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

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

The Council has no post balance sheet events for 2017/18.

Policy 9. Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost, as Creditors disclosed in Financial Instruments **Note 27**.

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

b) Financial Assets

Financial assets are classified into two types:

- loans and receivables – investments or deposits that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale financial assets – investments or deposits that have a quoted market price and/or do not have fixed or determinable payments.

In 2014/15 the Council invested £500k with the CCLA Property Fund. This investment has been treated as an available-for-sale investment and appears as a long term investment on the face of the Balance Sheet. Its current value is £538k. See **Note 27**.

c) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument and are measured at contract value. The Code suggests that annual credits to Financing and Investment Income and Expenditure for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Council has chosen not to follow this guidance for its fixed term, fixed rate investments because an adjustment to take account of the effective interest rate would not be material to the Council's accounts.

If an asset is identified as impaired because a past event makes it likely that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or Financing and Investment Income and Expenditure. The impairment loss is the difference between the carrying amount and the present value of the revised future cash flows, discounted at the asset's original effective interest rate.

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

Where the Council awards soft loans, it is in accordance with **Policy 10**.

Policy 10. Financial Loans

The Council has awarded 14 soft loans, on which no interest is charged, totalling £238k. The interest foregone is considered immaterial and is not accounted for, see **Note 27**.

Under the Council's Conditions of Service some staff qualify for a car loan. The Council's Balance Sheet contains 2 staff car loans, totalling £3k, on which interest is set at the maximum the Council is allowed to charge, being 1% over base.

Policy 11. Foreign Currency Transactions

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

Policy 12. Government Grants and Contributions

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

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

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

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

Unconditional Grants

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

Policy 13. Heritage Assets

The Council does not have any heritage assets.

Policy 14. Intangible Assets

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses cannot have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10k, the Capital Receipts Reserve.

Policy 15. Inventories and Long Term Contracts

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

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

Policy 16. Investment Property

It is not the Council's policy to acquire investment properties, however, if a property is no longer required for operational purpose, it may be re-classified as an investment property.

Policy 17. Leases

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

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

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

a) The Council as Lessee:

<u>Finance Leases</u>

The Council undertakes an annual review of its leases and relevant revenue transactions to identify if it has any finance leases embedded or otherwise. The review undertaken for 2017/18 did not identify any such leases.

<u>Operating Leases</u>

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

b) The Council as Lessor:

<u>Finance Leases</u>

The Council has not granted any finance leases.

<u>Operating Leases</u>

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

Policy 18. Non-Current Asset Charges to Revenue

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

- depreciation of the assets used by the relevant service;

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

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

Policy 19. Overheads and Support Service Charges

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

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

Policy 20. Prior Period Adjustments

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

Policy 21. Prior Period Errors

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

Policy 22. Property, Plant and Equipment

a) Recognition

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

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

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

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

b) Componentisation

Component accounting is the recognition of two or more significant components of an asset for depreciation purposes where the useful life is substantially different; treating each component as if it were a separate asset in its own right. The components are not subjected to revaluations or annual impairment reviews.

The Council only accounts separately for components where the individual component has a value of £100k or more. Assets are reviewed for componentisation when they are acquired or enhanced.

In 2017/18, there has been no qualifying expenditure resulting in the identification of separate components to the Council's assets.

c) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

d) Increases in Value and Impairments

Assets are included in the Balance Sheet at current value. Guidance suggests that all assets in a class should be re-valued within 5 years. The Council valued all land and property assets in 2017/18, in keeping with this guidance.

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

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

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

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

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

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

e) Depreciation

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

Depreciation is calculated as follows:

- dwellings and other buildings – straight-line method over the useful life of the property, as estimated by a suitably qualified valuer;
- vehicles, plant and equipment – straight-line method over the useful life of the asset based on cost;
- IT equipment – straight-line method over 5 years based on cost.
- infrastructure – straight-line method over the useful life of the asset (not to exceed 40 years), based on historical costs; and

- newly acquired assets and capital works to an existing asset - a full year's depreciation charge is made in the next full financial year. No depreciation is charged in the year of disposal.

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

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

f) Non-current Assets Held for Sale

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

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

g) Disposal

When an asset is disposed of, or decommissioned (whether Property, Plant and Equipment or Assets Held for Sale), the carrying amount in the Balance Sheet is written off to Other Operating Expenditure as part of the gain or loss on disposal. Receipts from disposals (if any) are also credited to Other Operating Expenditure as part of the gain or loss on disposal by being netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Policy 23. Provisions

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

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

Policy 24. Reserves and Balances

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

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

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

The Council maintains a minimum balance based on a risk assessment but may also hold balances in excess of this figure, details of which are set out in the Financial Strategy. In 2017/18 the minimum risk assessed balance was £400k and the additional funds brought forward were £540k, giving a total of £940k. At the year-end £329k was released to meet a net deficit on the General Fund due to business rates, which reduced the balance carried forward to £622k after allowing for carry forward budgets. More information relating to the Council's General Fund balance can be found at **Note 39** – Usable Reserves.

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

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

Policy 26. Trust Funds

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

During 2017/18, the Council had one such trust fund, the Timson Trust. Details of the fund are set out in **Note 37**.

Policy 27. Value Added Tax (VAT)

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

Note 3. Critical Judgements in Applying Accounting Policies

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

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

Note 4. Material Items of Income and Expense

Collection Fund – NNDR Backdated Appeals

Since the partial localisation of the business rates scheme the Council's Collection Fund has had a history of having to fund substantial backdated business rates appeals, due to the fact that it has 3 major business in the District, two MOD sites and Wytch Farm Oil Field. More information about these appeals is given in the **Collection Fund - Business Rates Note 8**.

In 2017/18, the Backdated Appeals Provision Brought Forward was £3.897m. A further £2.238m has been charged to the provision, almost entirely in respect of Wytch Farm, with a small increase of £0.291m following a reassessment of the risks. This has left a balance of £1.368m in the Provision going forward. This reflects that it is hoped that the major appeals have now been funded but this cannot be guaranteed.

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

Business Rates Equalisation Reserve

The Equalisation Reserve balance brought forward of £2.645m has been released to the General Fund to compensate for the impact of the Collection Fund fully recovering prior year deficits.

More information about this Reserve is shown in **Note 39**.

Operational land and buildings – Dorset Innovation Park – Quadrant Site

The Dorset Innovation Park is one of only two strategic employment sites in Dorset, the other being Bournemouth Airport.

When the Quadrant site was acquired from the Homes and Communities Agency the overall site had been run down over a number of years, many of the buildings were empty and in a poor state of repair. Seeing the potential for the site, the Council worked with Dorset County Council and the Local Enterprise Partnership to achieve Enterprise Zone status, which came into effect on the 1 April 2017. One of the additional benefits of Enterprise Zone status is that the next 25 years' growth in business rates is retained by the Local Enterprise Partnership for investment in the site and the surrounding infrastructure to support the site.

This initiative is a major contributor to the Council's corporate ambitions, set out in its corporate strategy, of improving the local economy and infrastructure. As the site is targeted at advanced engineering, salaries will be higher. This in turn will increase local employment opportunities and incomes and help local people to be better able to afford local housing, a further corporate priority.

On completion of the construction works the asset was revalued. The buildings element was valued at £0.76m, which £1.68m lower than the related build costs of £2.4m. The valuation is based on the potential income streams generated by the buildings.

The Council expected a loss on valuation, although this is higher than anticipated. There are two key reasons for the anticipated loss. The Quadrant Site is the first new development on the Enterprise Zone. Due to the nature of the site, a former atomic energy site amidst an area with numerous environmental designations, the site required a number of surveys to be undertaken in order to achieve planning permission, which inevitably increased the cost of development. Some infrastructure costs were incurred, for example including road access. In addition, the buildings are to a very high specification, which has also increased the cost but provided good quality, environmentally friendly flagship assets for the site. The rentals on the units are particularly low for two reasons. The main one is that the Enterprise Zone is a secure site behind wire with security guard controlled access, which restricts the Quadrant site units' appeal to potential tenants. The second reason is because the units are aimed at small and start-up businesses.

Now that the site has Enterprise Zone status and its use can only be for advanced engineering the land value has increased considerably. The land was purchased at a price of £0.33m. The built element cost £0.08m and has been revalued at £0.50m. The remaining land cost £0.25m has been revalued at £2.38m. The total gain in value is £2.55m.

The loss of £1.68m has been charged to revenue and significantly distorts the performance of the Planning and Communities Services. The gain of £2.55m has been charged to the Revaluation Reserve.

Operational Land and buildings - Write off of Accumulated Depreciation

Following the revaluation of all the assets the Council has written off accumulated, historic depreciation in the sum of £1.210m. This has resulted in an increase in the Capital Adjustment Account and a corresponding reduction in the Revaluation Reserve.

Pension Fund

The Balance Sheet shows there has been a decrease in the Pension Fund deficit of £1.512m, reducing to £18.965m. The Pension Fund accounting treatment includes various material transactions, which are analysed in **Note 38**.

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

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

The items in the Council's Balance Sheet at 31 March 2018, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives dependent on assumptions about the level of repairs and maintenance that will be incurred. The Council still intends, in the current economic climate, to sustain its current spending on repairs and maintenance, thus reducing the likelihood of an adverse impact on the useful lives of its assets. Operational land and buildings and investment properties are either re-valued every 5 years or on an ad-hoc basis where there is a significant change related to a specific asset. However, as the council has approved capital spend	If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets will fall. If the valuations are found to be incorrect or need to be adjusted due to market fluctuations then, prior to the discovery, the assets on the Council's Balance Sheet will be under or over stated. This risk is

Item	Uncertainties	Effect if actual results differ from assumptions
	on several property assets in 2017/18, an earlier full valuation has taken place at the end of 2017/18. The District Valuation Service was engaged to provide the Council with expert advice on valuations.	minimised this year due to the full valuation undertaken. Depreciation is an annual charge in the accounts for consumption of a long term asset. This reflects an estimate of how long the asset will last and provide service value to the Council. For example the total depreciation charge for the year is £383k. Buildings are being written off over an annual life expectancy of between 5 and 47 years, varying according to their nature. This creates an annual depreciation charge for buildings of £110k. If it was assumed buildings would last another 5 years and the annual charge in the accounts reflected this the depreciation charge would decrease from £110k to £85k, if it was assumed they would be consumed 5 years faster the charge would be £188k. If the Council sells an asset the Balance Sheet value may differ from that achieved at point of sale. The gain or loss on disposal will be reflected through the Comprehensive Income and Expenditure Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and undertakes the calculations.	The effects on the net pension liability of changes in individual assumptions can be measured. A 0.1% increase in the adjustment to the discount rate would result in a decrease in the present value of pension scheme liabilities of £847k although the assumptions interact in complex ways, so that a 0.1% decrease in the rate would increase liabilities by £863k. A 0.1% increase in the adjustment to long term salary increase would increase liabilities by £75k and a

Item	Uncertainties	Effect if actual results differ from assumptions
		0.1% decrease would decrease liabilities by £74k. A 0.1% increase on the adjustment to pension increases and deferred revaluation would increase liabilities by £789k and a 0.1% decrease would decrease liabilities by £775k. An increase in the life expectancy assumption of 1 year would increase the present value of pension scheme liabilities by £1,913k, whereas a reduction of 1 year would decrease liabilities by £1,838k.
Provisions for NNDR backdated appeals	It is intrinsically difficult to assess the potential liability resulting from outstanding appeals. If the results differ, the difference will be shared with the Government and other local authorities, with this Council's share being 40%. At year-end the Council estimates the potential outcome of the outstanding appeals. **Policy** 4 sets out the methodology used to do this but there is considerable uncertainty as to the final outcome of individual cases. Receipt of appeal notifications resulting in substantial backdated refunds trigger a review of the provision and methodology applied to individual cases or groups of cases. The year-end review undertaken in April 2018, assessed the required provision value to be £1.37m.	Based on the £1.4m provision value, a 10% difference in the actual value of future appeals awarded could change this figure by £0.14m. This Council's share of the provision could therefore vary by £0.56m in either direction. If in future it is assessed that some of the provision is not required it will be released back into the Fund and increase the distributions available in that year. Any shortfall in the provision will reduce distributions from the Fund in future years. However, as the Council is on the business rates safety net its business rates income is guaranteed.
Arrears	At 31 March 2018 the Council had outstanding debtors of £4,126k against which there is an impairment allowance of £497k, equalling 12% of total debt. However, if the debts relating to government departments are removed the allowance amounts to 14%.	If collection rates were to deteriorate, the amount of doubtful debts would need to be reviewed to assess if additional monies are required to be set aside as an allowance. An increase in the provision of 1% of outstanding, non-government debt would increase the provision by £36k.

Note 6. Contingent Liabilities

At 31 March 2018, the Council had one contingent liability, which is not material:

Municipal Mutual Insurance Limited

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

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

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

Note 7. Related Parties

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

Central Government

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

Dorset County Council

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

> Transport Infrastructure levy – A levy is charged on planning applications to fund the Purbeck Transport Strategy. This is managed by Dorset County Council and is used for a range of transport projects including the signalling to facilitate reconnection of the branch line from Swanage to the main line, at a cost of £3.2m.
>
> Dorset Waste Partnership – The Council is part of the Dorset Waste Partnership. This is a rural Dorset wide partnership of districts, boroughs and the County Council, to benefit from bringing together the collection and disposal responsibilities for waste

management in Dorset. The partnership is hosted by Dorset County Council, with member oversight via a Joint Committee comprising two councillor representatives from each authority. This Council's share of the service costs in 2017/18 was £1.3m.

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

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

Other Local Authorities

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

Revenue and Benefits Partnership – The Council works in partnership with West Dorset District Council and Weymouth and Portland Borough Councils to deliver a joint revenues and benefits service. Two Councillors represent the Council's interests on the Revenues and Benefits Partnership Strategic Board but the Board does not have decision making powers. The total partnership cost in 2017/18 was £3.07m and this Council's share of the total cost is £537k.

Community Infrastructure Levy (CIL) - Payments to towns and parishes. Some of the CIL income is due to the towns and parishes in which the development occurs. These sums are paid over to the relevant town and parish councils twice yearly. In 2017/18, this totalled £59k.

Many District Councillors are also town or parish councillors within the district. Whilst the Council did not make any material decisions or transactions affecting towns and parish councils during 2017/18, the following is reported for information purposes:

Localisation of Council Tax Support Grant for Town & Parish Councils. In January 2013, this Council agreed to distribute a Government grant to towns and parishes to negate the impact of changes in the 2013/14 tax base when compared to 2012/13. The changes were the result of localising council tax support and changing it from a "benefit" to a "discount", together with technical changes to the value and time period of some other discounts, aimed at encouraging the return of empty properties into use. These changes had the effect of significantly reducing the tax base of the area, which in turn reduced the revenue that could be raised from the same level of council tax in 2013/14 when compared to 2012/13. The Government grant became part of the Revenue Support Grant and the Council agreed to continue to distribute it into the future.

Subsequently, the Government announced that the Revenue Support Grant would be phased out and so when setting the budget in February 2014, the Council agreed to phase out the grant to towns and parishes by 2018/19, by 25% per annum reductions from 2015/16. In 2017/18 the Council distributed £22k to 16 of the 26 town and parish councils. 2017/18, the final year of support to the towns and parishes coincides with the final year of Revenue Support for this Council.

Citizen's Advice Bureau

A District Council Councillor is on the CAB management committee. The CAB received Council funding in the sum of £71k in 2017/18.

Note 8. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2018.

The Council is not aware of any post balance sheet events that provide information about conditions existing at 31st March 2018, the impact of which would have been reflected in the financial statements and notes.

The audited accounts have been certified by the Chief Finance Officer and approved by the Audit and Governance Committee on 24th July 2018.

Local Government Reorganisation

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

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

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

Comprehensive Income and Expenditure Statement Notes

Comprehensive Income and Expenditure Statement Notes

Note 9. Officers' Remuneration

During 2016/17 and 2017/18 four people held senior positions in the Council, the following table shows the cost for each person by year.

Positions held at 31 March 2018	Qualifying positions held	2016/17 Salary and Allowances £000	2016/17 Pension Contribution £000	2016/17 Total £000	**2017/18 Salary and Allowances £000**	**2017/18 Pension Contribution £000**	**2017/18 Total £000**
Chief Executive	Chief Executive	88	12	100	88	14	**102**
GM - Planning & Community Services	GM - Planning & Community Services (01/04/17 to 31/01/18)	60	9	69	51	8	**59**
GM - Resources	GM - Resources	60	9	69	61	10	**71**
GM - Public Health & Housing Services	GM - Public Health & Housing Services	60	9	69	61	10	**71**
	Total	268	39	307	**261**	**42**	**303**

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

Remuneration Band	2016/17 Number of employees	**2017/18 Number of employees**
£50,000 - £54,999	0	**1**

Note 10. Councillors' Allowances

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

2016/17 £000		**2017/18 £000**
169	Allowances	170
5	Expenses	3
174	**Total Payments**	**173**

Note 11. Exit Packages

There were no exit packages during 2017/18.

In 2016/17, organisational restructures were undertaken, which reduced the Council's on-going staffing costs. To facilitate achievement of the long term organisational benefits 5 employees received exit packages, the total cost of which was £43k as shown below.

2016/17 No. of employees	**Cost Bandings**	**2017/18 No. of employees**
5	up to £20,000	**0**
0	£20,000 to £40,000	**0**
0	£40,001 to £60,000	**0**
0	£60,001 to £80,000	**0**
5		**0**

Note 12. External Audit Costs

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

2016/17 £000's	**Fees payable to the external auditor for:**	**2017/18 £000's**
40	External audit services carried out by the appointed auditor for the year.	40
9	Certification of grant claims and returns for the year.	9
3	Non-audit services - Investors in People	0
52	**Total Fees Paid**	**49**

In addition to the external audit services, the Council also participates in the National Fraud Initiative data matching exercise, which is undertaken every two years. The cost of the exercise was £2,100 in 2016-17, which was paid to the Cabinet Office. The next fee will be in 2018/19

Note 13. Specific Revenue Grant Income

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

2016/17 £000		**2017/18 £000**
13,295	Housing Benefit Subsidy Grants	12,715
584	New Homes Bonus	459
314	Purbeck Sports Centre funding contribution	321
185	Housing Benefit / Council Tax Admin Grant	170
166	Coastal Monitoring Programme	164
0	Dorset Waste Partnership refund	158
74	New Burdens Grant	149
165	Contributions towards the cost of elections	125
0	Local Development Order Partnership	116
98	NNDR cost of collection grant	99
59	Discretionary Housing Payments	79
97	Other contributions	73
0	Flexible Homelessness Grant	63
50	Rural Services Delivery Grant	41
0	Disabled Facilities Grant	39
20	Business Centre Maintenance Reserve	21
5	Neighbourhood Planning	20
35	Other grants	4
910	Community Housing Fund	0
16,057	**Total Grants**	**14,816**

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

Note 14. Leases

Council as Lessee

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

2016/17 £000		**2017/18 £000**
	Other Land and Buildings	
3	Connegar Lane Car Park	4
1	Land at Burngate Stone Centre	1
	Vehicles and Equipment	
8	Photocopiers and coffee machine	8
12	**Total**	**13**

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

2016/17 £000		**2017/18 £000**
13	Not later than one year	13
14	Later than one year and not later than five years	7
6	Later than five years	5
33		**25**

- The lease arrangement for the photocopiers came into effect from August 2014 and is in place until 31 July 2019.
- The Council has a peppercorn lease arrangement for the land at the site of the Rempstone Barns Industrial Units so there is no cost to the Council.
- An operating lease arrangement is in place for Wareham Walls and Streche Road car park with no lease cost to the Council.
- The Council has a management arrangement in place with Dorset County Council and the Purbeck School to run the Purbeck Sports Centre on their behalf for school use and to allow this Council to use the facility for community use. Under this arrangement Dorset County Council contributed £321k to the running costs of the Centre in 2017/18.

Council as Lessor

The Council has not given any finance leases but has granted operating leases. The Stone Centre Trust has an operating lease for the use of the Burngate Stone Working Centre at a cost of £871 per annum, to preserve and promote local stone working skills. The Swanage Museum has an operating lease for the use of the Swanage Heritage Centre at a peppercorn rent. The Cologne Road Community Group have an operating lease, at a peppercorn rent, for the use of the community rooms, at 21 Cologne Road, Bovington.

Note 15. Impairment Losses

There were no impairment losses linked to property plant and equipment in 2016/17. However, in 2017/18 there was a material impairment of £1.68m relating to the Council's economic development asset, the Quadrant site at Dorset Innovation Park. Further detail on this impairment can be found at **Note 4** Material Items of Income and Expense.

Note 16. Analysis of Income and Expenditure

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

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

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

Service Income and Expenditure	**Chief Executive's**	**Planning Services**	**Public Health & Housing**	**Resources**	**Total**
2016/17	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(10)	(769)	(1,686)	(352)	(2,817)
Government grants, contributions and donations	(246)	(262)	(1,277)	(14,272)	(16,057)
Total Income	**(256)**	**(1,031)**	**(2,963)**	**(14,624)**	**(18,874)**
Employee expenses	(185)	1,303	1,475	776	3,369
Other operating expenses	528	632	2,612	1,017	4,789
Total Operating Expenses	**343**	**1,935**	**4,087**	**1,793**	**8,158**
Benefit payments	0	0	0	13,476	13,476
Capital financing	5	362	241	107	715
Total Other Expenses	**5**	**362**	**241**	**13,583**	**14,191**
Net Expenditure of Current Services	**92**	**1,266**	**1,365**	**752**	**3,475**
Non Distributed Costs	0	0	0	78	78
Net Expenditure	**92**	**1,266**	**1,365**	**830**	**3,553**

The following notes explain the main variances between 2017/18's Analysis of Income and Expenditure with that of 2016/17.

In 2017/18 the Council received less income from Government grants, contributions and donations. The variation of £1,241 mainly relates to reduced benefits subsidy of £580k in 2017/18 due to lower housing benefit payments being made in year, and the receipt of Community Housing Fund Grant of £910k in 2016/17.

The significant increase in employee costs of £1,074k when compared to 2016/17 relates to pension costs. 2017/18 is the first year of the new actuarial Pension Fund revaluation. The previous period saw the Council pay the full three years' pension fund deficit up front in 2014/15 to benefit from a financial incentive of around £50k. The Actuary has not offered any financial incentives for early payment of the deficit in the current three year period and so, for 2017/18, the sum of £240k has been paid without a comparable figure in 2016/17.

In addition, in 2016/17 pension costs were reduced by the net settlement of £866k pension liability relating to Council staff that transferred to Weymouth & Portland Borough Council as part of the Revenues and Benefits Partnership. This is reflected against the Chief Executive's Service in the analysis.

Reconciliation to Subjective Analysis

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

2016/17 Services Analysis	2016/17 Corporate Amounts	2016/17 Total		**2017/18 Services Analysis**	**2017/18 Corporate Amounts**	**2017/18 Total**
£000	£000	£000		**£000**	**£000**	**£000**
(2,817)		(2,817)	Fees, charges & other service income	(2,762)		(2,762)
	(52)	(52)	Interest and investment income		(69)	(69)
	(4,762)	(4,762)	Income from council tax		(4,963)	(4,963)
(16,057)	(2,492)	(18,549)	Government grants, contributions and donations	(14,817)	(2,962)	(17,779)
(18,874)	(7,306)	(26,180)	**Total Income**	**(17,579)**	**(7,994)**	**(25,573)**
3,447		3,447	Employee expenses	4,515		4,515
18,265		18,265	Other service expenses	17,926		17,926
715		715	Depreciation, amortisation and impairment	2,508		2,508
	690	690	Pensions interest cost & expected return on assets		543	543
	1,381	1,381	Precepts		1,482	1,482
	44	44	Parish support grant		22	22
	(283)	(283)	(Gain) or Loss on Disposal of Fixed Assets		(623)	(623)
22,427	1,832	24,259	**Total expenditure**	**24,949**	**1,424**	**26,373**
3,553	(5,474)	(1,921)	**(Surplus) or deficit on the provision of services**	**7,370**	**(6,570)**	**800**

Note 17. Other Operating Expenditure

Other Operating Expenditure comprises the following:

2016/17 £000		**2017/18 £000**
1,381	Parish council precepts	1,482
44	Additional Parish Support	22
(283)	(Gains)/losses on the disposal of non-current assets	(623)
1,142	**Total**	**881**

In 2017/18 the gains relate to £699k Preserved Right to Buy receipts, offset by an accounting loss on disposal of £76k relating to the sale of Plot 5 Prospect Business Park. Plot 5 was sold for £185k, with 2/3rds of the proceeds, being £121k, belonging to the Council's partner in the project, the Homes England. This left a cash surplus of £64k. The previous asset value was £140k, which leaves an accounting loss of £76k.

In 2016/17 the gains relate to Preserved Right to Buy receipts £276k and gains on the sale of Breachfield toilets of £5k and East Street toilets, Corfe Castle of £2k.

Note 18. Financing and Investment Income and Expenditure

Financing and investment income and expenditure comprises the following:

2016/17 £000		**2017/18 £000**
690	Pension net interest on defined liability (asset)	543
(52)	Interest receivable and similar income	(69)
638	**Total**	**474**

Note 19. Taxation and Non Specific Grant Incomes

Taxation and Non Specific Grant Incomes comprises the following:

2016/17 £000		**2017/18 £000**
4,762	Council tax income (1)	4,963
13	Government grant - council tax compensation (2)	16
380	Government grant - business rates compensation (3)	680
734	Business rates (4)	573
452	Revenue Support Grant (5)	152
913	Capital grants and contributions (6)	1,541
7,254	**Total**	**7,925**

(1) Council tax income of £4,963k, includes £1,482k, (£1,381k in 2016/17) collected on behalf of the town and parish councils in the district, which was paid to them in April and September. The balance of £3,481k is this Council's income, (£3,381k in 2016/17)

(2) The Government has given council tax relief for annexes, which reduced this Council's share of the council tax by £16k, for which the Government has compensated the Council.

(3) The Government compensates the Council for loss of income for nationally awarded business rate reliefs, which are outside the original scheme, which for 2017/18 was £680k, the most significant relief included is small business rate relief. The £300k increase compared to 2016/17, largely reflects the new reliefs introduced to ease the impact of the new rating valuation list, which came into effect on the 1 April 2017. The most significant of these is in respect of the Revaluation Relief, which was in the form of a local scheme approved by Council, which distributed relief of £215k. There was also £45k of public house relief and £25k of additional relief to support small businesses.

(4) The net business rates figure of £573k, is analysed in the table below:

Restated 2016/17 £000	**Analysis of business rates income**	**2017/18 £000**
3,128	Deficit brought forward	3,160
6,570	Distributed business rate income net of deficit	6,305
(4,389)	Tariff payment to the Government	(6,029)
(2,544)	Prior year estimated deficit recovered	(3,158)
978	Safety net	33
151	Renewable energy	148
0	Enterprise Zone	86
(3,160)	Share of closing surplus/(deficit)	28
734	**Total**	**573**

The above table shows that the Council's share of the business rates element of the Collection Fund started the year in deficit by £3,160k. The council's share of in-year distributions net of the estimated deficit was £6,305k. In-year £3,158k of the deficit brought forward was recovered. This together with additional income from the current year has put the Fund back into surplus, the Council's share of which is £28k.

The localised business rates scheme allows the Planning Authority which gave the approval for renewable energy sites to retain all of the business rates generated by the sites rather than shared with the other preceptors and the Government. For 2017/18, this was £148k, which is slightly less than the previous year, due to lower rateable values on existing sites.

The Council's Enterprise Zone came into being on the 1 April 2017. Part of the benefit of being an Enterprise Zone is that the growth in business rates is top sliced before distribution and made available to the billing authority for re-investment in the local infrastructure. Responsibility for delivering the agreed infrastructure plan rests with the Local Enterprise Partnership. In its first year the Enterprise Zone has generated additional business rates of £86k. To ensure visibility and transparency this £86k has been placed in an earmarked reserve.

The total income from business rates comprises the £573k received from the Collection Fund and the Government grant to compensate the Council for loss of business rate income of £680k, set out in note 3 above, giving a total of £1,253k.

(5) The reduction in Revenue Support Grant of £300k, is in line with the Government's deficit reduction programme and 2017/18 is the last year the Council will receive this grant.

Note 20. Capital Grants and Contributions

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

2016/17 £000		**2017/18 £000**
263	Community Infrastructure Levy	360
650	Quadrant Site - Dorset Innovation Park	1,174
0	IT Capital Equipment	7
913	**Total**	**1,541**

The Community Infrastructure Levy commenced in 2014/15 and is a levy on development to help fund/compensate for the additional burden the development places on the local infrastructure. The receipts of £360k will be transferred to the CIL Reserve until required to support relevant schemes.

The Dorset Innovation Park costs relate to the Council's share of the development of the Quadrant site business units, owned 50:50 with Dorset County Council.

The Council's IT Service assisted the Revenues and Benefits Partnership to acquire and install IT equipment for their staff based at Westport House. The £7k contribution is from the Partnership to cover the costs incurred.

Movement in Reserves Statement Notes

Movement in Reserves Statement Notes

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

Accounting standards require the Council to account for transactions such as movements on the Pension Fund Reserve, depreciation and asset gains and losses within the Net Deficit on the Provision of Services of £800k, as shown in the Comprehensive Income and Expenditure Statement.

These accounting transactions total £1,968k but cannot be included in the calculation of the General Fund or for council tax setting and so are removed via the Movement in Reserves Statement. The following tables provide some further analysis of this Statement.

The Expenditure and Funding Analysis, on the next page, is a departmental analysis that shows that the Net Deficit on the Provision of Services before the accounting adjustments, is £2,768k. This figure can be seen in the Movement in Reserves Statement as the movement on the General Fund before transfers to reserves. The accounting adjustments of £1,968k are analysed in the table by department to arrive at the Net Deficit on the Provision of Services of £800k as shown in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. The bottom of the table also shows a reconciliation of the movement on the General Fund.

Expenditure and Funding Analysis

2016/17 Net Expenditure Chargeable to the General Fund £000's	2016/17 Adjustments between Funding and Accounting Basis £000's	2016/17 Net Expenditure Comprehensive Income & Expenditure Statement £000's	Departments	2017/18 Net Expenditure Chargeable to the General Fund £000's	2017/18 Adjustments between Funding and Accounting Basis £000's	2017/18 Net Expenditure Comprehensive Income & Expenditure Statement £000's
86	6	92	Chief Executive's	1,007	5	1,012
1,820	(554)	1,266	Planning and Community Services	2,516	715	3,231
1,407	(42)	1,365	Public Health and Housing Services	2,564	(463)	2,101
(284)	1,036	752	Resources	2,636	(1,682)	954
78	0	78	Non-Distributed Costs	72	0	72
3,107	446	3,553	**Net cost of services**	**8,795**	**(1,425)**	**7,370**
(4,784)	(690)	(5,474)	Other Income and Expenditure	(6,027)	(543)	(6,570)
(1,677)	(244)	(1,921)	**(Surplus)/deficit on provision of services**	**2,768**	**(1,968)**	**800**
4,549			**Opening General Fund balance**	6,127		
1,677			Surplus (Deficit) on the General Fund Balance	(2,768)		
(99)			Net transfers to/from reserves	(160)		
6,127			**Closing General Fund balance**	**3,199**		

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

2016/17 Adjustment for: Capital Purposes £000	Net Pension Changes £000	Collection Fund £000	Other Adjustments £000	Total	Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement (CIES)	**2017/18 Adjustment for: Capital Purposes £000**	**Net Pension Changes £000**	**Collection Fund £000**	**Other Adjustments £000**	**Total £000**
					Reversal of CIES debits/credits:					
					Departments					
(6)				(6)	Chief Executive's	(6)				(6)
554				554	Planning & Community Services	(593)			(122)	(715)
(241)			283	42	Public Health & Housing Services	(280)			743	463
(106)	521	(71)		344	Resources	(90)	(373)	3,232		2,769
201	521	(71)	283	934	**Net Cost of Services**	**(969)**	**(373)**	**3,232**	**621**	**2,511**
	(690)			(690)	Other income/expenditure		(543)			(543)
201	(169)	(71)	283	244	**Difference between General Fund surplus/(deficit) & Comprehensive Income & Expenditure Statement surplus/(deficit) - accounting adjustments**	**(969)**	**(916)**	**3,232**	**621**	**1,968**

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

The “other adjustments” column shows the net gain on the disposal of assets, which is largely the preserved right to buy income of £699k. It also includes the receipt from the sale of plot 5 at Prospect Business Park of £185k, which has been offset by the payment of £122k to the Homes England for their share of the sale proceeds.

The table below analyses the technical adjustments shown in the Movement in Reserves Statement, including the £1,968k above.

2016/17 Usable Reserves General Fund Balance	2016/17 Usable Reserves Capital Receipts	2016/17 Usable Reserves Capital Grants	2016/17 Movement in Unusable Reserves	Adjustments (CIES = Comprehensive Income and Expenditure Statement)	**2017/18 Usable Reserves General Fund Balance**	**2017/18 Usable Reserves Capital Receipts**	**2017/18 Usable Reserves Capital Grants**	**2017/18 Movement in Unusable Reserves**	**Notes**
£000	£000	£000	£000	**Capital Adjustment Account:**	**£000**	**£000**	**£000**	**£000**	
				Reversal of debits / credits to CIES:					
468			(468)	Charges for depreciation & impairment of non-current assets	**447**			(447)	
				Revaluation gains / losses on Property Plant and Equipment	**1,668**			(1,668)	**1**
(913)		262	651	Capital grants and contributions applied	**(1,541)**		359	1,182	**2**
247			(247)	Revenue expenditure funded from capital under statute	**393**			(393)	
(283)	419		(136)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	**(621)**	761		(140)	
(3)			3	**Revenue Contribution to Capital Outlay (RCCO)**	**2**			(2)	
				Capital Receipts Reserve:					
0	(501)		501	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,142)	(90)	1,232	**3**
				Collection Fund:					
71			(71)	Amount by which Council Tax income & NNDR income in the C.I.E.S. is different from the amount taken to the General Fund in accordance with regulation	**(3,232)**			3,232	**4**
				Pensions Reserve:					
634			(634)	Reversal of items relating to retirement benefits debited / credited to the CIES	**1,653**			(1,653)	
(465)			465	Employer’s pensions contributions and direct payments to pensioners payable in the year	**(737)**			737	
(244)	(82)	262	64	**Total Adjustments**	**(1,968)**	**(381)**	**269**	**2,080**	

Notes:

1. This entry largely relates to the Dorset Green buildings impairment of £1,680k.

2. Capital Grants and Contributions are covered in Note 20. The major item included is Dorset County Council's 50% share of the costs of the development of the Enterprise Zone Quadrant Site business units of £1,174k.

3. The £1,142k use of capital receipts was, in the main, to fund this Council's share of the costs in the development of the Enterprise Zone Quadrant Site business units.

4. This entry largely relates to the National Non-Domestic Rates (NNDR) deficit brought forward of £3,160k, which was recovered by the Collection Fund in 2017/18.

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

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

The following table analyses the £393k REFCUS expenditure against the Council's corporate priorities.

2016/17 £000's		**2017/18 £000's**
	Improving the Local Economy and Infrastructure	
122	- Superfast Broadband	87
9	- Prospect Business Park	4
0	- Swanage Pier Trust	50
	Protecting and Enhancing the Natural Environment	
0	- Nitrogen Mitigation (funded from CIL)	90
	Enhancing Local Communities and Involvement	
11	- Village Hall Grants	0
105	- Sports Centre Improvement Works	162
247	**Total**	**393**

Balance Sheet Notes

Balance Sheet Notes

Note 23. Property, Plant and Equipment

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

31/03/2017 £000's	Fixed Assets	**31/03/2018 £000's**
	Land & Building	
1,924	Westport House, Wareham	1,950
311	Westminster Road Depot, Wareham (Waste Partnership)	299
344	Norden Car Park	330
810	Other Car Parks (5)	804
699	Public Conveniences (5)	757
247	Swanage Heritage Centre	269
321	Kings Court Business Centre, Swanage	350
212	Purbeck Business Centre, Swanage (2/9th share)	222
213	21 Cologne Road, Bovington	210
711	Dorset Innovation Park - Quadrant	3,630
5,792		**8,821**
	Operational Surplus Assets	
190	Westminster Road Depot, Wareham Offices	185
190		**185**
	Vehicles, Plant & Equipment	
92	Computer Hardware	78
2	Purbeck Sports Centre Equipment (Soft play area)	0
0	Spin Bikes	27
24	Car Parks - Ticket Machines	23
13	Polling Station Voting Booths	11
131		**139**
	Community Assets	
15	Upton Wood, Upton	15
15		**15**
	Infrastructure	
40	Purbeck Heights Durlston, Swanage - Coast Protection	33
78	Durlston Cliff, Swanage - Coast Protection	67
1,077	Swanage Beach Scheme - Groynes	1,032
168	Swanage Beach - Sand Renourishment	149
93	Swanage Square - Enhancement	70
2,401	Swanage - Land Dranage Scheme	2,286
3,857		**3,637**
9,985	**Balance Sheet Total**	**12,797**

The following table shows the movements in asset values during 2017/18.

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

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

	Operational Land & Buildings £000's	Operational Surplus Assets £000's	Vehicles, Plant & Equipment £000's	Community Assets £000's	Infra-structure Assets £000's	Assets Under Construction £000's	Total £000's
Cost or Valuation Restated							
At 1 April 2016	6,125	206	858	15	5,902	0	13,106
Additions	37		47			711	795
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19						19
At 31st March 2017	**6,181**	**206**	**905**	**15**	**5,902**	**711**	**13,920**
Accumulated depreciation and Impairment Restated							
At 1 April 2016	(991)	(11)	(705)	0	(1,827)	0	(3,534)
Depreciation charge	(109)	(5)	(68)	0	(219)	0	(401)
At 31st March 2017	**(1,100)**	**(16)**	**(773)**	**0**	**(2,046)**	**0**	**(3,935)**
Net Book Value							
At 31st March 2017	**5,081**	**190**	**132**	**15**	**3,856**	**711**	**9,985**
at 31st March 2016	5,134	195	153	15	4,075	0	**9,572**

Depreciation

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

Operational Land and Buildings – 5 to 47 years

Vehicles, Plant and Equipment – 1 to 9 years

Infrastructure – 4 to 24 years

Revaluations

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

All valuations and impairment reviews were carried out by the District Valuation Service (DVS) namely by Hannah Basham, Principal Surveyor and Team Leader BSc (Hons) MRICS, effective as at 31 March 2018. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

- no potential deleterious or hazardous materials were used in construction and not subsequently incorporated;
- reliance has been placed on the accuracy of information supplied by the Council, including details of tenure, tenancies, planning consents, floor areas and site areas;
- Valuations include plant that is usually considered to be an integral part of the building or structure and essential for its effective use (for example building services installations), but exclude all machinery and business assets that comprise process plant, machinery and equipment unless otherwise stated and required.
- the assets are not subject to any unusual or especially onerous restrictions, encumbrances, mortgages, charges or other outgoings that would affect their value and that a good title can be shown; and
- values are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by any other statutory notice, and that neither the property construction nor condition, use or intended use was, is or will be unlawful or in breach of any covenant.
- No environmental assessment of the properties (including sites) has been provided to or by the VOA, nor is the VOA instructed to arrange consultants to investigate any matters with regard to flooding, contamination or the presence of radon gas or other hazardous substances. No search of contaminated land registers has been made. However, if any such signs were evident this will have been advised by you. The absence of any such indication should not be taken as a guarantee that flooding can never occur.

Revaluations	**Operational Other Land & Buildings £000's**	**Operational Surplus Assets £000's**	**Vehicles, Plant & Equipment £000's**	**Community Assets £000's**	**Infra-structure Assets £000's**	**Total £000's**
Carried at historical cost			139	15	3,637	3,791
Valued at fair value as at:						
31 March 2018	8,821	185				9,006
Total Cost or Valuation	**8,821**	**185**	**139**	**15**	**3,637**	**12,797**

Note 24. Construction Contracts

At the beginning of the 2017/18 financial year the Council had one significant construction contract in progress - the Quadrant, Dorset Innovation Park – this economic development project was completed during the year.

Note 25. Investment Properties

The Council has no investment properties.

Note 26. Intangible Assets

The Council accounts for its software as intangible assets and includes purchased licences only. All software is assumed to have a 5 year useful life.

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

Other Assets 2016/17 £000's		**Other Assets 2017/18 £000's**
115	**Balance at start of year:**	**129**
81	Purchases	70
(67)	Amortisation for the period	(64)
129	**Net carrying amount at end of year**	**135**

Note 27. Financial Instruments

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

31/03/17 £000	Financial Instrument Balances	31/03/18 £000
	Available for Sale Financial Assets	
521	Investments **(1)**	538
	Loans & Receivables - Long-term	
242	Debtors Soft Loans **(2)**	241
	Loans & Receivables - Current	
2,000	Investments **(3)**	5,000
772	Debtors Short Term **(4)**	1,360
2,933	Cash and Cash Equivalents **(5)**	3,819
	Financial Liabilities at amortised cost	
862	Creditors **(6)**	3,111

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

The balance sheet value of a financial instrument is the principal amount lent plus accrued interest, less any impairment. Where investments are due within one year, accrued interest is shown separately in current assets. The effective interest rate is accrued interest receivable under the financial instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price

(1) CCLA Property Fund – This is the Council's only available for sale financial asset and is treated as a long term investment of £538k. The Fund benefits from a favourable accounting and regulatory framework. Under IAS 39 a local authority's holding in the Fund will be accounted for as an **Available for Sale financial asset**. The purchase is recognised on the balance sheet under long-term investments at the same value as cash price paid for the units. Dividends are recognised within **Financing and Investment Income**.

The investment is measured at fair value in accordance with IFRS as a Level 1 investment. At the end of each financial year, the value of the local authority's investment will be adjusted to equal the number of units held multiplied by the published bid price with a gain or loss taken to the **Available for Sale Reserve**. Movements in the unit price therefore have no impact on the General Fund. In 2017/18 a gain occurred, increasing the cumulative gain from £30k to £38K.

The investment would only be impaired if there was a significant or prolonged decline in the unit price below the level at which the units were bought. In that case the loss would be removed from the Available for Sale Reserve and shown as an impairment loss.

(2) Soft Loans – Debtors Long Term. The Council has soft loans of £88k relating to Housing Renewal Equity Home Loans, and an interest-free loan to the Kimmeridge

Fossil Museum and Village Hall Trust of £150k. Further information is provided on the year-on-year movement for soft loans in **Note 29.**

(3) The council had 3 short term investments totally £5m in placed at 31/03/18. One was placed with another local authority, and one was placed with Lloyds bank, and a third one was placed with Goldman Sachs. There were two short term investments totalling £2m in place at 31st March 2017. The increase compared to the previous year largely reflects the recovery in year of the Collection Fund business rates deficit. Further information is in **Note 19**.

(4) The increase in debtors of £588k is covered in **Note 33**.

(5) The increase of £986k in cash and cash equivalents relates to note 3 above.

(6) The increase in creditors of £2,249k is covered in **Note 35**.

Financial Instruments Gains and Losses

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

2016/17 £000	**Financial Instruments Gains & Losses**	**2017/18 £000**
0	(Gains)/losses - Financial Instruments	(17)
0	**Total expense in Surplus or Deficit on the Provision of Services**	**(17)**
(52)	Interest income	(69)
(52)	**Total income in Comprehensive Income and Expenditure Statement**	**(69)**
(52)	**Net (gain)/loss for the year**	**(86)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. However, the Council's assets and liabilities are such that fair values are not currently used. The reasons for this are:

- The Council only has fixed short-term, fixed rate investments and its policy is not to undertake fair value calculations in these circumstances.
- Short term debtors and creditors are carried at cost as this is considered a fair approximation of their value.

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

1. Overall procedures for managing risk

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

Risk management is carried out by the treasury officers, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. As the Council does not have debt, Re-financing Risk is not relevant.

2. Key Financial Risks

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

Credit Risk the possibility that other parties might fail to pay amounts due to the Council.

Liquidity Risk the possibility that the Council might not have funds available to meet its commitments to make payments.

Market Risk the possibility that financial loss might arise as a result of changes in measures such as interest rates or stock market movements.

3. Credit Risk

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

This risk is minimised through the annual Investment Strategy, which was approved Council on 20 February 2017, and is available on the Council's website. It requires deposits to be made with financial institutions which meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Rating Services. The annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

The Council uses the creditworthiness service provided by Link Asset Services, the Council's Treasury Advisors. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies: Fitch; Moody's; and Standard and Poor's, forming the core element. However, it does not rely solely on the credit ratings of counterparties but also uses the following overlays:

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

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

At the 31 March 2018, the Council had one long term investment of £538k, with three short term investments totalling £5m. The remaining investments of £3.4m were in money market funds which are classified as cash, because the funds can be withdrawn within 24 hours without penalty. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at the 31 March 2018 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not generally allow credit for customers, however, at the 31 March 2018, the General Fund debt outstanding was £1,450k, compared to £851k the previous year. £1,209k of this debt is not overdue as customers have 28 days to make payment, leaving a balance of overdue debt of £241k. In 2016/17 this figure was £141k. The table below analyses this debt by age. The 'two to six month' figure of £126k in 2017/18 is more than in 2016/2017 because it includes invoices raised to recover emergency accommodation costs incurred of £53k and invoices for community infrastructure levy of £72k.

2016/17 £000		**2017/18 £000**
33	Two to six months	126
25	Six months to one year	24
83	More than one year	91
141		**241**

Liquidity Risk

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

Whilst the Council is currently debt free, it has ready access to borrowing from the money markets to cover any day to day cash flow need and the Public Works Loan Board and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. This framework ensures that, if the Council had debt, there is no risk that it would be unable to raise finance to meet its commitments under financial instruments.

Apart from the soft loans referred to in this note, all other sums owing to the Council are due to be paid, or can be recalled, in less than one year.

Market Risk

Interest Rate Risk

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

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

During 2017/18 all short term investments were fixed rate. All other deposits were deemed cash as they were recallable within 24 hours without penalty. As the Council is debt free it is not exposed to interest rate risk from borrowings, although the Strategy does include maximum limits for fixed and variable rate exposure, should they be needed.

Included in the £69k interest for the year is £64k in respect of interest earned from investments and deposits. At 31 March 2018, if interest rates had been 1% higher with all other variables held constant, for all investments and deposits, the interest earned of £64k would have increased by £90k to £154k.

	Actual Interest £000s	Year end Interest Rate	1% Increase in Year End Interest Rate Equals £000s
Interest	64	0.55%	154

Price Risk

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

Foreign Exchange Risk

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

Note 29. Debtors - Long Term

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

	Balance 31/03/17 £000's	**Advances £000's**	**Repayments £000's**	**Balance 31/03/18 £000's**
Financial Instruments				
Housing Renewal - Equity Home Loans	88	0	0	**88**
Kimmeridge Museum and Village Hall Trust	150	0	0	**150**
Car Loans	4	0	1	**3**
	242	0	1	**241**

The first two items in the table are soft loans, where no interest is charged. There are 14 soft loans totalling £238k. The largest loan is in respect of Kimmeridge Fossil Museum and Village Hall in the sum of £150,000. In addition, 13 Housing Renewal Equity Home Loans, totalling £88k, have been made to householders to fund work to bring properties to the “Decent Homes Standard”. A charge for the value of the loan is made against the property and will be repaid on sale of the property at some point in the future. Due to the low value of the interest foregone on these loans the Council continues to deem them immaterial to the Balance Sheet and, therefore, does not account for the interest foregone.

Under the Council’s Conditions of Service some staff qualify for a car loan. The Council’s Balance Sheet contains 2 staff car loans, totalling £3k, on which interest is set at the maximum the Council is allowed to charge, being 1% over base.

Note 30. Investments – Short Term

The Council had short term, fixed rate, investments of £5,000k at the 31 March 2018, as shown below, and short term investments of £2,000k at the 31 March 2017.

2016/17 £000's		**2017/18 £000's**
0	Goldman Sachs	**2,000**
0	Surrey Heath Borough Council	**2,000**
1,000	Lloyds Bank	**1,000**
1,000	Eastleigh Borough Council	**0**
2,000	**Balance outstanding at year-end**	**5,000**

Note 31. Inventories

The value of Inventories in the accounts is £3k (£3k in 2016/17), which relates to stock held at the Tourist Information Centre.

Note 32. Assets Held for Sale

2016/17 £000's		**2017/18 £000's**
276	**Balance outstanding at start of year**	140
0	Assets classified as held for sale	0
(136)	Assets sold (including disposal costs)	(140)
140	**Balance outstanding at year-end**	**0**

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

The assets sold in 2016/17 were the public conveniences at Breachfield, Wool and East Street, Corfe Castle.

Note 33. Debtors - Short Term

The short term debtor balance is analysed below:

Financial Instruments 31/03/17 £000's	Other 31/03/17 £000's		**Financial Instruments 31/03/18 £000's**	**Other 31/03/18 £000's**
0	5,253	Government Departments (Inc. NNDR)	0	573
276	401	Other Local Authorities	303	359
0	186	Council Tax & NNDR Preceptors	0	1,506
0	(131)	- Impairment Allowance	0	(113)
573	645	Sundry Debtors	1,147	660
(77)	(371)	- Impairment Allowance	(90)	(407)
0	137	Payments in Advance	0	188
772	6,120		**1,360**	**2,766**
	6,892	**Total Debtors**		**4,126**

Debtors have decreased year on year by £2,766k from £6,892k to £4,126k.

Government debtors have reduced by £4,680k from £5,253k to £573k. This is mainly due to changes in NNDR. In 2016/17 the Government owed the Council the refund of the tariff overpaid of £1,666k, the safety net payment of £978k but this did not repeat in 2017/18. The Government's net share of net 2016-17 NNDR balances in the sum of 2,003k was the other contributory factor in the reduction. This figure includes £1,111k, being the Government's share of the backdated business rate appeal refunds for Wytch Farm. However, there has been a big increase in the net creditor shown in **Note 35**.

Council tax payers & NNDR preceptors have increased by £1,320k. In the main this relates to the preceptors' 50% share of the £2,222k backdated business rate appeal refunds for Wytch Farm, which were paid in 2018/19. The delayed payment created a large credit on the payers account instead of the normal arrears figure, which is also reflected in creditors at **Note 35**. In addition £100k of reliefs were processed in March 2018 which created further credits on the payers' accounts.

Sundry Debtors have increased from £573k to £1,147k due to an increase of £401k in Preserved Right to Buy Receipts, in 2016/17 they were £276k and £677k in 2017/18.

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

Note 34. Cash and Cash Equivalents

The cash and cash equivalents balance is analysed as follows:

31/03/17 £000's		**31/03/18 £000's**
1	Cash held by the Authority	1
432	Bank current accounts	418
2,500	Short-term corporate deposits	3,400
2,933	**Total**	**3,819**

The Council's short term corporate deposits were all in money market funds as follows: £1,900k with BNP Parabis, £400,000 in a Sterling liquidity Fund with INVESCO, and £1,100k in the CCLA Public Sector Deposit Fund.

Note 35. Creditors – Short Term

The creditors balance is analysed as follows:

Financial Instruments 31/03/17 £000's	Other 31/03/17 £000's		**Financial Instruments 31/03/18 £000's**	**Other 31/03/18 £000's**
0	2,758	Government Departments (incl. NNDR)	0	2,260
553	36	Other Local Authorities	444	409
0	309	Council Tax Preceptors	0	2
284	0	Sundry Creditors	2,623	0
25	0	Receipts in Advance	44	0
0	1,089	Other creditors (incl. Section 106 planning agreements)	0	1,214
862	4,192		**3,111**	**3,885**
	5,054	**Total Creditors**		**6,996**

Creditors have increased year on year by £1,942k from £5,054k to £6,996k.

Sundry creditors have increased £2,339 which relates to backdated business rate appeal refunds in respect of Wytch Farm of £2,222k, which were not paid out in until 2018/19.

The reduction in council tax preceptors reflects that in 2016/17 council tax was in surplus and each of the preceptors was owed its share but in 2017/18 council tax had a very minor surplus owed to preceptors.

Note 36. Provisions

The provisions balance is analysed as follows:

31/03/17 £000's		**31/03/18 £000's**
16	Municipal Mutual Insurance	16
1,559	NNDR backdated appeals provision	547
1,575	**Total**	**563**

The balance on the Municipal Mutual Insurance provision has remained at the same level as in 2016/17, see **Note 6** for further information.

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

In 2017/18, £2,238k was charged to the provision and the review undertaken led to £291k being released back to the Collection Fund. This left a net balance of £1,368k, Purbeck's share of which is £547k. Further information is available on this in the notes to the Collection Fund.

Note 37. Long Term Liabilities

Monies set aside in the accounts for Timson Trust Properties of £11k (£12k 2016/17) will be used to repair and maintain the properties bequeathed to this Council by Mrs E.M.Timson. The Council uses the properties to provide accommodation for elderly people residing within the District. The Council will continue to use the properties for the benefit of elderly people as required by the trust deed.

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

Note 38. Defined Benefit Pension Scheme

Participation in Pension Schemes

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

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

Pension related transactions including non-distributed costs

In 2017/18 the Council paid employer’s contributions of £736k (£465k in 2016/17), including added years’ benefits. The increase is due to the deficit funding of £260k in 2016/17 having been paid in 2014/15 to benefit from a discount of £50k.

The Council is responsible for all pension payments relating to the added years’ benefits it has awarded to former employees who have retired early, together with related increases. In 2017/18 these amounted to £75k (£78k in 2016/17).

The re-measurements of the net defined benefit liability, in the sum of £2,428k, (-£36k in 2016/17), is also shown in the Comprehensive Income and Expenditure Account.

Impact on the Council’s Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. In 2013, the Council agreed a strategy with the scheme’s actuaries to achieve a 100% funding level over 25 years, which has remained unaffected by the latest triennial valuation which took place at 31st March 2016.

Charge to Services

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

2016/17 £000	Comprehensive Income and Expenditure Statement (CIES)	2017/18 £000
	Cost of Services	
810	Service costs	1,111
(866)	Net settlement of liabilities extinguished	0
(56)	**Included in CIES**	1,111
	Financing and Investment Income and	
690	Net interest on Defined Liability (Asset)	543
634	**Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**1,654**

In 2016/17, the net settlement of extinguished liabilities is the actuarial calculation related to the transfer of the Council's revenues and benefits partnership staff to Weymouth and Portland Borough Council, as part of the Revenues and Benefits Partnership run by Dorset Councils' Partnership.

Assets and Liabilities in Relation to Post-employment Benefits

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

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

2016/17 £000		**2017/18 £000**
(45,675)	Opening balance at 1 April	(49,276)
(810)	Current service cost	(1,111)
(1,542)	Interest cost	(1,314)
(177)	Contributions by scheme participants	(174)
(9,634)	Change in financial assumptions	1,774
(542)	Change in demographic assumptions	0
5,497	Experience loss/ (gain) on defined benefit obligation	0
2,267	Liabilities assumed/(extinghuished) on settlements	0
1,340	Estimated benefits paid	1,399
(49,276)	Closing balance at 31 March	**(48,702)**

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

2016/17 £000		**2017/18 £000**
25,402	Opening balance at 1 April	28,799
852	Interest on assets	771
4,160	Return on assets less interest	676
508	Other actuarial gains/(losses)	0
(21)	Administration expenses	(20)
462	Employer contributions	736
177	Contributions by scheme participants	174
(1,340)	Benefits paid	(1,399)
(1,401)	Settlement prices received (paid)	0
28,799	Closing balance at 31 March	**29,737**
(20,477)	**Net deficit of the scheme**	**(18,965)**

Scheme History

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Present value of liabilities	(40,827)	(47,702)	(45,675)	(49,276)	(48,702)
Fair value of assets in the Local Government Pension Scheme	24,102	26,479	25,402	28,799	29,737
Surplus/(deficit) in the scheme	(16,725)	(21,223)	(20,273)	(20,477)	(18,965)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £18,965k has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is unaffected:

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

Basis for Estimating Assets and Liabilities

The expected return on assets is based on the long-term future expected investment return for each asset class at 31st March 2018. To calculate the asset share the Actuary has rolled forward the assets allowing for investment returns (estimated where necessary); contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Council and its employees.

To assess the value of the Employer's liabilities at 31st March 2018, the Actuary rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31st March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund, as well as pensions and lump sums that may be payable in future to members of the Fund or a dependant following a member's death.

With regard to the value of scheme liabilities, the Actuary is satisfied that the approach of rolling forward the previous valuation data to 31st March 2018, should not introduce material distortions in the results, provided the actual experience of the employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The Actuary is satisfied that, from the information received, there is no evidence that this approach is inappropriate.

The principal assumptions used by the actuary have been:

Demographic and statistical assumptions

Years	Life Expectancy from 65 years of age	**Years**
	Retiring 31st March 2018	
23.9	Men	24.0
26.0	Women	26.1
	Retiring in 20 years	
26.1	Men	26.2
28.3	Women	28.4

Financial assumptions used for the IAS 19 calculation

2016/17		**2017/18**
3.6%	Rate of inflation - RPI	3.35%
2.7%	Rate of inflation - CPI (1% below RPI)	2.35%
4.2%	Rate of salary increases (1.5% above CPI)	3.85%
2.7%	Rate of pension increases	2.35%
2.7%	Rate for discounting scheme liabilities	2.55%

Members exchange half of their commutable pension for cash at retirement. Members retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.

10% of active members opt to pay 50% contribution for 50% benefit.

Fund Assets

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

2016/17			**2017/18**	
£000	%		**£000**	**%**
16,155	57%	Equity investments	16,075	54%
4,275	15%	Liability Driven Investment	3,893	13%
3,301	11%	Other bonds	2,084	7%
1,249	4%	Diversified Growth Fund	1,798	6%
2,532	9%	Property	2,997	10%
320	1%	Cash	418	1%
962	3%	Infrastructure	1,073	4%
5	0%	Hedge fund	0	0%
n/a	n/a	Multi Asset Credit	1,399	5%
28,799	100%		**29,737**	**100%**

Re-measurement in Other Comprehensive Income

2016/17 £000		**2017/18 £000**
4,160	Return on plan assets in excess of interest	676
508	Other actuarial gains/(losses) on assets	0
(9,634)	Change in financial assumptions	1,774
(542)	Change in demographic assumptions	0
5,497	Experience gain/(loss) on defined benefit obligation	0
(25)	Administration expenses	(22)
(36)	**Re-measurements**	**2,428**

Note 39. Usable Reserves

The following is a list of usable reserves:

31/03/17 £000's		**31/03/18 £000's**	Notes
951	General Fund	622	39a
2,127	General Reserve	2,067	39b
404	Earmarked Reserves	510	39c
2,645	NNDR Rate Equalisation Reserve	0	39d
6,127	**General Fund**	**3,199**	
110	Capital Grants Unapplied	109	39e
2,144	Capital Receipts	1,763	39f
415	Community Infrastructure Levy Reserve	685	39g
8,796	**Total Usable Reserves**	**5,756**	

The movements in usable reserves are summarised in the Movement in Reserves Statement. The major change year-on-year is the release of NNDR Equalisation Reserve of £2,645k. The Movement on each of the individual Reserves is set out in the section below:

39 a) General Fund Balance

31/03/17 £000's		**31/03/18 £000's**	**31/03/18 £000's**
966	**Balance at 1 April**		**951**
1,677	Net increase before transfers to reserves		(2,768)
	Transfer (to) / from reserves		
14	General Fund	(329)	
(1,492)	General Reserve	60	
(94)	Earmarked Reserve	(106)	
(10)	NNDR Equalisation Reserve	2,645	
(116)	Unusable Reserves	167	
6	Compensated Absences Account	2	**2,439**
951			**622**

The net decrease of £2,768 before transfers to reserves includes the impact of the business rate accounting adjustments relating to recovery of the Collection Fund deficits. This has largely been cancelled out by the release of the NNDR Equalisation Reserve of £2,645. The remaining shortfall on the business rate accounting was £516k. This was off-set by the surplus on the General Fund of £187k, leaving a reduction in the balance of £329k. See **Notes 39d**, for more information on the Equalisation Reserve.

The closing General Fund is made up as follows:

31/03/17 £000's		**31/03/18 £000's**
400	Minimum risk assessed balance	400
540	Additional funds retained in the balance	192
940		592
11	Carried forward budgets	30
951	**Balance at 31 March**	**622**

39 b) General Reserve

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

	Balance 31/03/17 £000's	**Transfers In £000's**	**Transfers (Out) £000's**	**Balance 31/03/18 £000's**
General Reserve	1,953	87	(210)	**1,830**
Grants	132	122	(53)	**201**
Building Control	6	0	(6)	**0**
Home Equity Loans	36	0	0	**36**
Closing balance	**2,127**	**209**	(269)	**2,067**

Details of the transfers into the General Reserve of £209k are shown below:

	£000's	**£000's**
Annual fixed contribution		87
Grant income		
Flexible Homelessness Grant	63	
Custom Build Grant	30	
Homelessness Reduction Act Grant	11	
Personal Searches Grant	9	
Individual Electoral Registration Grant	7	
DEFRA grant - private bathing waters	2	122
Total		**209**

Details of the transfers out of the General Reserve of £269k, are shown below:

	£000's	**£000's**
General Reserve		
Reserve Commitments	(103)	
Supplementary estimates	(48)	
Partial Review expenditure	(49)	
Handy Van Service payment	(10)	(210)
Grants		(53)
Building Control		(6)
Total		**(269)**

39 c) Earmarked Reserves

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

	Balance 31/03/17 £000's	**Transfers In £000's**	**Transfers (Out) £000's**	**Balance 31/03/18 £000's**
Risk Management	39	0	0	39
Purbeck Sports Centre:				
- Artificial Pitch	54	8	0	62
- Repairs and Renewals	68	137	(162)	43
Purbeck Business Centre	149	40	(15)	174
Kings Court Business Centre	38	6	0	44
Rempstone Barns	51	7	(1)	57
Enterprise Zone	0	86	0	86
Other	5	0	0	5
	404	284	(178)	**510**

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

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

The Dorset Innovation Centre achieved Enterprise Zone status on the 1 April 2017. One of the benefits of this status is that the billing authority (Purbeck) retains the full business rate growth on the site over and above the original rates baseline. The rates are to be used to deliver improvements in the infrastructure on the site and the surrounding area. The Local Enterprise Partnership is responsible for delivering the Enterprise Zone infrastructure plan. The billing authority is responsible for ensuring that the funds are distributed for use on approved schemes. In the first year the Enterprise Zone generated £86k additional business rates. The Reserve has been set-up to ensure there is transparency over the business rates earned and distributed.

39 d) NNDR Equalisation Reserve

2016/17 £000's		**2017/18 £000's**
2,635	**Balance at 1 April**	2,645
2,645	NNDR liability	0
(2,635)	In-year release	(2,645)
2,645	**Balance at 31 March**	**0**

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

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

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

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

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

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

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

In 2014/15, the Council put £150k into the balance to help meet the new business rate risks. In 2015/16, when the extent of the backdated appeals was becoming evident, this sum was increased to £540k. In 2017/18, the shortfall in the Equalisation Reserve Funding of £516k was offset by additional business rate income above budget and a small surplus at net cost of services, which left £329k to be met from the balance.

39 e) Capital Grants Unapplied

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

2016/17 £000's		2017/18 £000's
126	**Balance at 1 April**	110
0	Receipts	0
(16)	Funding applied in year	(1)
110	**Balance at 31 March**	**109**

This account is currently holding grant income waiting to be applied to fund works at Prospect Business Park, and re-roofing at the Purbeck Business Centre.

39 f) Capital Receipts Reserve

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

2016/17 £000's		2017/18 £000's
2,226	**Balance 1 April.**	2,144
	Capital receipts:	
276	Preserved Right to Buy	699
143	Other land and property	185
	Less :	
0	Share of sale proceeds	(121)
0	Eligible disposal costs	(2)
(501)	Capital receipts used for financing	(1,142)
2,144	**Balance c/fwd:**	**1,763**
	Balance c/fwd analysed:	
1,744	General	1,363
400	Housing Projects	400
2,144	Balance c/fwd	**1,763**

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

The sale referred to in 2016/17 relates to the toilet blocks at Breachfield, Wool (£65k) and East Street, Corfe Castle (£78k).

The capital receipts of £1,142k were used to fund the Council's capital projects which included £886k for Purbeck's share of the Quadrant Site business units at Dorset Innovation Park.

39 g) Community Infrastructure Levy (CIL) Reserve

31/03/17 £000's		**31/03/18 £000's**
153	Opening Balance	415
262	Receipts	360
0	Payments	(90)
415	**Balance c/fwd:**	**685**

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

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

In addition to the above, some CIL income is passed on to town and parish councils but does not go through the reserve. The total due for 2017/18 is £71k, £33k has been paid out in-year and the balance of £38k is included within creditors on the Balance Sheet.

Note 40. Unusable Reserves

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

2016/17 £000's		**2017/18 £000's**	Note
(44)	Accumulated Absences Account	(46)	40a
21	Available for Sale Financial Instrument Reserve	38	40b
8,432	Capital Adjustment Account	9,345	40c
105	Council Tax Adjustment Account	26	40d
(3,155)	NNDR Adjustment Account	156	40e
(20,477)	Pensions Reserve	(18,965)	40f
2,049	Revaluation Reserve	3,814	40g
(13,069)	**Total Unusable Reserves**	**(5,632)**	

40 a) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for annual leave earned but not taken in the year, which is annual leave carried forward to 2017/18. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. Movements on the account are shown below.

2016/17 £000's		2017/18 £000's
(38)	**Balance at 1 April**	(44)
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)
(44)	**Balance at 31 March**	**(46)**

40 b) Available for Sale Financial Instrument Reserve

This reserve captures the unrealised gains or losses on the £500k investment in the CCLA Property Fund when compared to the year-end market price. The gain in 2017/18 was £17k.

40 c) Capital Adjustment Account

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

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

Capital Adjustment Account movements are shown below.

2016/17 £000's		**2017/18 £000's**
7,842	**Balance at 1 April**	8,432
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(401)	Charges for depreciation / impairment of non-current assets	(383)
104	Revaluation gains / (losses) on Property, Plant and Equipment	12
0	Impairment	(1,680)
(67)	Amortisation of intangible assets	(64)
(247)	Revenue expenditure funded from capital under statute	(393)
(135)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(140)
(746)		**(2,648)**
0	Accumulated depreciation moved to Revaluation Reserve	1,210
60	Adjusting amounts written out of the Revaluation Reserve	61
0	Adjusting amounts for prior gains/losses on disposals	(284)
7,156	**Net written out amount of the cost of non-current assets consumed in the year**	**6,771**
	Capital financing applied in the year:	
667	Application of grants to capital financing	1,182
3	Direct Revenue Financing	(2)
501	Use of Capital Receipts Reserve	1,142
0	Use of CIL Reserve	90
105	Capital expenditure charged against the General Fund	162
1,276		**2,574**
8,432	**Balance at 31 March**	**9,345**

The impairment of £1,680k relates to the revaluation of the Quadrant site at Dorset Innovation Park.

40 d) Council Tax Adjustment Account

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

2016/17 £000's		2017/18 £000's
93	**Balance at 1 April**	105
12	The difference between the council tax income credited to the Comprehensive Income and Expenditure Statement and that calculated in accordance with statutory requirements.	(79)
105	**Balance at 31 March**	**26**

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

2016/17	2017/18
2015/16/remaining surplus £19k	2016/17 surplus £19k
2016/17 surplus £86k	2017/18 surplus £7k
Total net surplus £105k	**Total net surplus £26k**

40 e) NNDR Adjustment Account

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

2016/17 £000's		2017/18 £000's
(3,072)	**Balance at 1 April**	(3,156)
(84)	The difference between the NNDR income credited to the Comprehensive Income and Expenditure Statement and that calculated in accordance with statutory requirements.	3,312
(3,156)	**Balance at 31 March**	**156**

The balance on this account of £156k as at 31st March 2018 is Purbeck's 40% share of the NNDR surplus of £69k. The table below shows how the adjustment of £3,312 charged to the Comprehensive Income and Expenditure Account is made up and also shows how the balance carried forward of £156k is made up:

	£000's	£000's
Recovery of balance b/fwd		3,156
Renewables owed for 2016/17	(5)	
Prior year surplus adjustment	4	
Renewables due for 2017/18	43	
Enterprise Zone income	86	
Share of surplus c/fwd	28	
Balance c/fwd		156
		3,312

40 f) Pensions Reserve

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

2016/17 £000's		**2017/18 £000's**
(20,273)	**Balance at 1 April**	(20,477)
(35)	Actuarial gains or (losses) on pensions assets and	2,428
(634)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,653)
465	Employer's pensions contributions and direct payments to pensioners payable in the year	737
(20,477)	**Balance at 31 March**	**(18,965)**

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

40 g) Revaluation Reserve

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

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

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

2016/17 £000's		**2017/18 £000's**
2,195	**Balance at 1 April**	**2,049**
19	Upward revaluation of assets	2,773
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(21)
19	Surplus or deficit on revaluation of non-current	**2,752**
0	Accumulated depreciation transferred from the capital adjustment account	(1,210)
(60)	Difference between fair value depreciation and historical cost depreciation	(61)
(105)	Accumulated gains on assets sold or transferred	0
0	Net gains/losses on prior disposals	284
(165)		**(987)**
2,049	**Balance at 31 March**	**3,814**

Of the £2,773k upward revaluation of assets, £2,550k relates to the Quadrant site at Dorset Innovation Park.

Note 41. Capital Expenditure and Capital Financing

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

2016/17 £000's		**2017/18 £000's**
0	**Opening Capital Financing Requirement**	**0**
	Capital Investment:	
83	Property, Plant and Equipment	2,121
0	Abbortive project costs	(8)
711	Assets under construction	0
81	Intangible Assets	70
150	Loans - Kimmeridge Fossil Museum & Village Hall	0
247	Revenue Expenditure Funded from Capital under Statute	393
1,272		**2,576**
	Sources of finance:	
(498)	Capital Receipts	(1,142)
0	CIL Reserve	(90)
(669)	Government grants and other contributions	(1,182)
(105)	Direct revenue contributions from reserves	(162)
(1,272)		**(2,576)**
0	**Closing Capital Financing Requirement**	**0**

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

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

Cash Flow Statement Notes

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

Note 42. Net Cash Flow from Operating Activities

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

2016/17 £000		**2017/18 £000**
1,921	**Net Surplus/(Deficit) on the Provision of Services**	**(800)**
	Adjustment to surplus/(deficit) on the provision of services for non cash movements	
401	Depreciation	383
67	Amortisation	64
0	Revaluation gain	(12)
0	Impairment	1,680
54	Increase/(decrease) in Creditors	2,833
198	Increase/(decrease) in Debtors	(1,268)
7	Increase/(decrease) in Inventories	0
169	Pension Liability	916
(713)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,012)
136	Carrying amount of non-current assets sold	140
319		**3,724**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(913)	Capital grants credited to surplus of deficit on the provision of services	(1,541)
(419)	Proceeds from the sale of non-current assets	(762)
(1,332)		**(2,303)**
908	**Net Cash Flows from Operating Activities**	**621**

Note 43. Cash Flow Operating Activities – Interest

The value of investment activities included in **Note 42**, is £69k in 2017/18, which compares to £73k in 2016/17.

Note 44. Net Cash Flows from Investing and Financing Activities

Investment Activities

The following table analyses net cash flows from investing activities:

2016/17 £000		**2017/18 £000**
(793)	Capital expenditure - purchase of property, plant and equipment, investment property and intangible assets	(2,271)
(153)	Long term loans granted	0
(88,130)	Purchase of short term investments	(73,300)
86,130	Proceeds from short term investments	70,300
0	Proceeds from long term investments	0
419	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	762
244	Other receipts from investing activities	610
(2,283)	**Net cash flows from investing activities**	**(3,899)**

The increase in capital expenditure largely relates to the development of the Quadrant Site business units at the Dorset Innovation Park.

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

Financing Activities

As the Council does not have any debt or financing leases the only net cash flow from financing activities relates to the billing authority council tax and NNDR adjustments. In 2017/18 this is £4,164k compared to £651k in 2016/17. This movement largely reflects the recovery of the business rates deficit brought forward of £7,901k, this Council's share of which is £3,160k.

Purbeck District Council

Statement of Accounts 2017/18

Section 3
Collection Fund

The Collection Fund

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

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

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

Collection Fund
Income and expenditure for the year ended 31st March

	2016/17				**2017/18**	
Business Rates	Council Tax	Total		**Business Rates**	**Council Tax**	**Total**
£000	£000	£000		**£000**	**£000**	**£000**
			Income			
	33,642	33,642	Council Tax Receivable		35,356	35,356
11,138		11,138	Business Rates Receivable	13,293		13,293
(151)		(151)	Renewable Energy	(148)		(148)
			Enterprise Zone	(86)		(86)
(2,685)		(2,685)	Transitional Protection	354		354
(98)		(98)	Cost of Collection Allowance	(99)		(99)
1,779	(15)	1,764	Net (Increase)/Decrease in Provisions	2,522	(20)	2,502
9,983	33,627	43,610	**Total Net Income**	**15,836**	**35,336**	**51,172**
			Expenditure			
16,424	33,119	49,543	2017/18 Payments to Preceptors	15,762	35,288	51,050
(6,360)	417	(5,943)	Surplus/(Deficit) 2015/16 Actual and 2016/17 Estimate	(7,896)	611	(7,285)
10,064	33,536	43,600	**Total Expenditure**	7,866	35,899	43,765
(81)	91	10	**Surplus/ (Deficit) for the year**	**7,970**	**(563)**	**7,407**
(7,820)	653	(7,167)	Surplus/ (Deficit) B/fwd 1 April	(7,901)	744	(7,157)
(7,901)	744	(7,157)	**Surplus/ (Deficit) C/fwd 31 March**	**69**	**181**	**250**

Notes to the Collection Fund

Business Rates (Non-Domestic Rates)

1. Business Rates Income and Expenditure Statement

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

Business Rates
Income and expenditure for the year ended 31st March

2016/17 Business Rates £000		2017/18 Business Rates £000	Notes
	Income		
11,138	Business Rates Receivable	13,293	2
(151)	Renewable Energy	(148)	3
0	Enterprise Zone - Dorset Innovation Park	(86)	4
(2,685)	Transitional Protection Payments/Premiums	354	5
(98)	Cost of Collection Allowance	(99)	6
(24)	Net (Increase)/Decrease in Impairment Allowance	(7)	7
1,803	Net (Increase)/Decrease in Provision for Backdated Appeals	2,529	8
9,983	**Total Net Income**	**15,836**	
	Expenditure		
	2016/17 Payment of Shares		9
8,212	Central Government	7,881	
6,570	Purbeck District Council	6,305	
1,478	Dorset County Council Precept	1,418	
164	Dorset and Wiltshire Fire & Rescue Authority Precept	158	
16,424		**15,762**	
	Surplus/(Deficit) 2015/16 Actual & 2016/17 Estimate		10
(3,180)	Central Government	(3,948)	
(2,544)	Purbeck District Council	(3,158)	
(572)	Dorset County Council	(711)	
(64)	Dorset and Wiltshire Fire & Rescue Authority Precept	(79)	
(6,360)		**(7,896)**	
10,064	**Total Expenditure**	**7,866**	11
(81)	**Surplus/ (Deficit) for the year**	**7,970**	
(7,820)	Surplus/ (Deficit) B/fwd 1 April	(7,901)	
(7,901)	**Surplus/ (Deficit) C/fwd 31 March**	**69**	12

2. Business Rates Scheme

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

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

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

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

The amount individual businesses pay for business rates remains unaltered and is still set on a national basis. The Government specifies a rate in the pound that businesses need to pay, which was 47.9p in 2017/18 (49.7p in 2016/17). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their premises, as shown in the 2017 Rating List, by that rate in the pound. Since 1st April 2005, certain small businesses are entitled to receive Small Business Rates Relief and were subject to a lower multiplier of 46.6p in 2017/18 (48.4p in 2016/17). The reduction in both rates in the pound is normal practice after the introduction of a new valuation list, which increases rateable values.

The gross amount payable for 2017/18 was based on an aggregate rateable value as at the end of March 2018, for the Council's area of £41.849m (£39.669m for 2016/17). This has increased due to the revaluation effective from the 1 April 2017. The original 2017 figure was £42.982m and has already dropped by £1.1m as a consequence of the net movement in rateable value appeals. The income and expenditure statement shows that the business rate income after reliefs and provisions was £13.293m in 2017/18 (£11.138m for 2016/17).

3. Renewable Energy Sites

The business rates income from new renewable energy projects is excluded from the rates retention scheme. This income is retained by the relevant local planning authority that approved the planning application for the renewable energy project, which could be either the County Council or District Council. So far, all planning approvals for renewable energy projects in Purbeck have been approved by this Council and so all of the income has been retained by the District Council. The income from renewable energy sites in 2017/18 was £148k, a slight reduction on the previous year of £151k.

4. Enterprise Zone – Dorset Innovation Park

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

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

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

5. Transitional Protection Payments/Premiums

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

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

The net transitional protection payments for 2017/18 of £354k, reflect the impact of the new rateable values from the 1 April 2017 and the provision of relief to smooth the increase for businesses and demonstrates that predominantly, where rateable values moved significantly, they went up, increasing the rates payable.
During 2016/17 the Wytch Farm Oil Field received substantial reductions in its rateable value as a result of successful appeals. However, in 2010, and subsequent years, the site received significant transitional protection payments. Transitional relief is funded by the

Government and so this had to be refunded to the Government and has contributed significantly to the payment due of £2.685m.

6. Cost of Collection

The Government allows the billing authority an allowance towards the cost of collecting the business rates, which is retained from the business rate income before distribution. In 2017/18, this figure was £99k and is set by the Government.

7. Impairment Allowance

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

2016/17 £000's		**2017/18 £000's**
242	Allowance b/fwd	168
(98)	Write-offs in year	(47)
24	Change in impairment allowance	7
168	**Allowance c/fwd**	**128**

Gross arrears, excluding costs, are £361k at 31 March 2018 and £539k at 31 March 2017.

8. Backdated Appeals Provision

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

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

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

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

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

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

2016/17 £000's		**2017/18 £000's**
5,700	Provision b/fwd	3,897
(5,103)	Amounts charged to the provision	(2,238)
3,300	Reduction in provision	(291)
3,897	Provision c/fwd	1,368

The total backdated appeals provision of £1.368m is shared as follows:

2016/17 £000's		**2017/18 £000's**
1,948	Central Government	684
1,559	Purbeck District Council	547
351	Dorset County Council	123
39	Dorset and Wiltshire Fire & Rescue Authority	14
3,897	**Total Backdated Appeals Provision**	**1,368**

Each of the above public bodies holds this share within their own accounts. This Council's share of £547k, is held as a provision on the Balance Sheet.

9. Payment of Shares

The 2017/18 payments from the fund are based on estimates for the year of £15.762m, less the deficit brought forward of £7.896m, giving a net distribution of £7.866m.

10. Surplus/Deficit

Due to the complex accounting arrangements around the Collection Fund, it takes two financial years before prior year deficits are fully recovered. The remaining deficit from 2015/16, was recovered in 2017/18, together with an estimate of the 2016/17 deficit. Together these totalled £7.896m. 2017/18 has seen the Fund recover all of the deficits from prior years created by the backdated appeals, leaving a surplus of £69k to carry forward into 2018/19.

11. Total Expenditure

The table below shows how the net payment of business rates was calculated for each of the public bodies, to recover the £7.867m prior year deficits.

2016/17 £000's		**2017/18 £000's**
	Central Government	
8,212	Distribution based on estimate	7,881
(3,180)	Share of deficit	(3,948)
5,032	Sub total	**3,933**
	Purbeck District Council	
6,570	Distribution based on estimate	6,305
(2,544)	Share of deficit	(3,158)
4,026	Sub total	**3,147**
	Dorset County Council	
1,478	Distribution based on estimate	1,418
(572)	Share of deficit	(711)
906	Sub total	**707**
	Dorset and Wiltshire Fire & Rescue Authority	
164	Distribution based on estimate	158
(64)	Share of deficit	(79)
100	Sub total	**79**
10,064	**Total expenditure**	**7,866**

12. Surplus for the Year

The 2017/18, business rates surplus will be distributed in 2019/20. The partners' share of the current surplus is set out in the table below:

2016/17 £000's		**2017/18 £000's**
(3,951)	Central Government	34
(3,160)	Purbeck District Council	28
(711)	Dorset County Council	6
(79)	Dorset and Wiltshire Fire & Rescue Authority	1
(7,901)	**Total surplus/(deficit)**	**69**

Purbeck District Council's share of the deficit is shown on the Balance Sheet in Unusable Reserves. The surplus relating to the other bodies is included within creditors on the Council's Balance Sheet.

Council Tax

1. Council Tax Income and Expenditure Statement

The following council tax Income and Expenditure Statement is an extract from the main Collection Fund Income and Expenditure Statement at the beginning of this section.

2016/17 Council Tax £000		**2017/18 Council Tax £000**	**Notes**
	Income		
33,642	Council Tax Receivable	35,356	**2 - 4**
(15)	Net (Increase)/Decrease in Impairment Allowance	(20)	**5**
33,627	**Total Net Income**	**35,336**	
	Expenditure		
	Payment of 2017/18 Demands		**6**
3,310	Purbeck District Council	3,475	
1,380	Local Preceptors	1,482	**7**
4,690	Purbeck District Council - Combined	4,957	
23,578	Dorset County Council Precept	25,279	
3,560	Dorset Police & Crime Commissioner Precept	3,707	
1,291	Dorset and Wiltshire Fire & Rescue Authority Precept	1,345	
33,119		**35,288**	
	Surplus/(Deficit) 2015/16 Actual and 2016/17 Estimate		**8**
59	Purbeck District Council	86	
296	Dorset County Council	435	
45	Dorset Police & Crime Commissioner Precept	66	
17	Dorset and Wiltshire Fire & Rescue Authority Precept	24	
417		**611**	
33,536	**Total Expenditure**	**35,899**	**9**
91	**Surplus/ (Deficit) for the year**	**(563)**	
653	Surplus/ (Deficit) B/fwd 1 April	744	
744	**Surplus/ (Deficit) C/fwd 31 March**	**181**	**10**

2. Council Tax Background

Council tax is a tax on domestic property which was introduced in 1993, by the Local Government Finance Act 1992. Each property is assigned one of eight bands (A to H) based on the property value on the 1 April 1991, property values being independently assessed by the Listing Officer of the Valuation Office Agency (HM Revenue and Customs). The tax is set as a fixed amount for each band, plus town and parish council precepts. Some property is exempt from the tax, some people are exempt from the tax and some people get a discount e.g. the 25% single person discount if only one eligible person lives in the property, and council tax support if the household is assessed as needing financial support to pay the tax.

Council tax charges in the district are based on the amount of income required from council tax for the coming year by: Purbeck District Council (the billing authority); Dorset County Council; the Dorset Police and Crime Commissioner; and the Dorset and Wiltshire Fire & Rescue Authority (the major preceptors). The total value of these council tax demands is divided by the tax base, to arrive at a charge for a Band D property. The precepts for Purbeck’s town and parish councils are then added in the appropriate areas.

The table below shows how the tax base is calculated. Column A shows the number of dwellings in each band, which is reduced in column B to show the number of dwellings after deduction of exemptions, discounts and other allowances. The number of effective dwellings in column B, is multiplied by its proportion to a Band D property, shown in column C, to arrive at the tax base for each Band shown in column D. The total of column D is the tax base for the district, which for 2017/18 is 19,052.10 (18,656.44 in 2016/17).

Property Band	Number of dwellings	Dwellings after discounts etc.	Proportion of Band D	**Number of Band D equivalents**
A	1,445	894.79	6/9ths	596.53
B	2,872	1,857.89	7/9ths	1,445.03
C	6,947	5,377.31	8/9ths	4,779.82
D	4,926	4,216.58	1	4,216.58
E	3,178	2,845.92	11/9ths	3,478.35
F	1,838	1,679.49	13/9ths	2,425.93
G	1,051	978.45	15/9ths	1,630.75
H	100	82.25	2	164.50
	22,357			18,737.49
		17,932.68		
			Class O exempt dwellings Band D equivalents	314.90
				19,052.39
			Less adjustment for losses on collection	(0.29)
			Council tax base 2017/18	**19,052.10**

3. Council Tax Support

Prior to 2013/14 some households' council tax liability was met by council tax benefit, which appeared in the Collection Fund as a different income source. From 1 April 2013, the Government localised council tax benefits and billing authorities had to design their own schemes for council tax support. Under the localised schemes the former 'benefit' became a 'discount', which reduces the council tax liability. This new discount for council tax support is now part of the Collection Fund and as it reduces the liability, it also reduces the council tax base.

The council tax support for 2017/18 was £3.225m, which is very similar to 2016/17 when it was £3.214m.

4. Council Tax Charges

	Council Tax		
Authority	**2016/17**	**2017/18**	**Increase**
	£	**£**	**%**
Dorset County Council	1,263.78	1,326.87	4.99%
Dorset Police & Crime Commissioner	190.80	194.58	1.98%
Purbeck District Council	177.41	182.41	2.82%
Dorset & Wiltshire Fire & Rescue Authority	69.21	70.59	1.99%
Sub Total	**1,701.20**	**1,774.45**	**4.31%**
Town & Parish average	74.00	77.77	5.09%
Total Band D Council Tax	**1,775.20**	**1,852.22**	**4.34%**

5. Impairment Allowance

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

2016/17		**2017/18**
£000's		**£000's**
472	Allowance b/fwd	475
(12)	Write-offs in year	(31)
15	Change in impairment allowance	20
475	Allowance c/fwd	**464**

Gross arrears, excluding costs, are £1,701k, at 31 March 2017 and £1,517k at 31 March 2017. This is an increase of £184k.

6. Payment of Demands (Precepts)

The payments from the Collection Fund are based on the demands from each of the major preceptors, local preceptors and the billing authority for the year.

7. Town and Parish Local Precepts

The billing authority and major preceptors' band D council tax is the same value across the district. However, council tax charges can vary if there is a local precept for the town or parish council. The local precept is dependent on how much money the relevant town or parish council needs to be raised through council taxes and the number of properties available in the area against which to raise that money.

As the billing authority, this Council, acts on behalf of the local preceptors and so Purbeck's demand on the Fund includes the £1,481,597 precepted for 2017/18, (£1,380,591 in 2016/17), by the local preceptors. For clarity this is shown separately in the Income and Expenditure Statement. The Council draws the council tax from the Fund and pays the precept to the relevant town or parish council half yearly. This also means that this Council bears the cost of any deficit, or benefits from any surplus, relating to the local precept element of the billing authority's share of the Collection Fund. Local preceptors are therefore protected from any volatility in the performance of the Fund.

Precepts for town and parish councils are shown below:

2016/17 £000's	Town / Parish	2017/18 £000's
9	Affpuddle/Turners Puddle & Briantspuddle	9
30	Arne Parish	33
45	Bere Regis Parish	50
0	Bloxworth Parish	0
4	Chaldon Herring Parish	4
6	Church Knowle Parish	7
0	Coombe Keynes Parish	0
26	Corfe Castle/Kingston Parish	28
0	East Holme	0
3	East Lulworth Parish	3
9	East Stoke Parish	9
0	Kimmeridge Parish	0
19	Langton Matravers Parish	23
56	Lytchett Matravers Parish	59
199	Lytchett Minster & Upton Town	203
4	Morden Parish	4
8	Moreton Parish	8
0	Steeple Parish	0
20	Studland Parish	40
687	Swanage Town	704
37	Wareham St. Martin Parish	40
130	Wareham Town	166
17	West Lulworth Parish	18
10	Winfrith Newburgh/East Knighton Parish	11
62	Wool/East Burton & Bovington Parish	63
0	Worth Matravers Parish	0
1,381	**Local (Town & Parish) Precept**	**1,482**

8. Surplus / (Deficit) Adjusted for in Year

In addition to paying the annual precept, further payments are made from the Fund to distribute any prior year surpluses or deductions. Due to the complex accounting arrangements around the operation of the Collection Fund, it takes two financial years before prior year surpluses are fully paid or deficits fully recovered. To speed up this recovery process it is possible to either distribute part of an estimated surplus, or recover an estimated deficit the following financial year by declaring an in-year surplus or deficit. Surpluses are distributed and deficits recovered, on the same ratio as the distribution of council tax demands in the relevant year.

In 2017/18, the final surplus from 2015/16, and the declared estimated surplus for 2016/17, totalled £611k and were distributed in 2017/18. The table below shows the build-up of the £611k surplus:

Total 2016/17 £000's		2015/16 Balance £000's	2016/17 Estimate £000's	**Total 2017/18 £000's**
530	Dorset County Council	168	267	435
105	Purbeck District Council	33	53	86
80	Dorset Police and Crime Commissioner	26	40	66
29	Dorset and Wiltshire Fire & Rescue Authority	9	15	24
744	**Total Collection Fund Surplus / (Deficit)**	236	375	**611**

9. Total Expenditure

The table below shows the net payments made from the Fund to the billing authority and major preceptors in respect of 2017/18.

2016/17 £000's		**2017/18 £000's**
	Purbeck District Council	
4,690	Precept (including local precepts)	4,957
59	Share of surplus/(deficit)	86
4,749	Total Distribution	**5,043**
	Dorset County Council	
23,578	Precept	25,279
296	Share of surplus/(deficit)	435
23,874	Total Distribution	**25,714**
	Dorset Police and Crime Commissioner	
3,560	Precept	3,707
45	Share of surplus/(deficit)	66
3,605	Total Distribution	**3,773**
	Dorset and Wiltshire Fire & Rescue Authority	
1,291	Precept	1,345
17	Share of surplus/(deficit)	24
1,308	Total Distribution	**1,369**
33,536	**Grand Total**	**35,899**

10. Surplus / (Deficit) for the Year

The council tax surplus of £181k for 2017/18, is made up of prior year balances and is shared as follows:

Total 2016/17 £000's		2016/17 Balance £000's	2017/18 Surplus £000's	**2017/18 Total £000's**
530	Dorset County Council	96	34	130
105	Purbeck District Council	19	6	25
80	Dorset Police and Crime Commissioner	14	5	19
29	Dorset and Wiltshire Fire & Rescue Authority	5	2	7
744	**Total Collection Fund Surplus / (Deficit)**	134	47	**181**

Purbeck District Council's share is shown on the Balance Sheet in the Unusable Reserves. The surplus relating to the other public bodies is included within creditors on the Balance Sheet.

Purbeck District Council

Statement of Accounts 2017/18

Section 4
Glossary of Terms and Acronyms

Glossary of Terms

Accounting Policies

The principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are reflected in its financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Assets

Items that are of value and are measurable in terms of money. These are divided into current assets and long term assets.

Actuarial Gains & Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

b) the actuarial assumptions have changed.

Amortised

Treating as an expense the annual value of a fixed asset deemed to have been used.

Balance Sheet

A statement of recorded assets, liabilities and other balances at a specified date, this statement shows the net assets and total reserves of the business.

Balances and Usable Reserves

These represent the accumulated monies of the authority. General Fund Balances may be utilised to reduce the Council Tax. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

Billing Authority

The authority with the task of collecting council tax from within its geographical area.

Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

Capital Expenditure

Expenditure on the acquisition of a long term asset or expenditure, which adds to, and not merely maintains, the value of an existing long term asset.

Capital Receipts

Income from the sale of long term assets which can be used to finance additional capital expenditure or pay off debt.

Cash Flow Statement

A statement summarising the inflows and outflows of cash from transactions between the Council and third parties for revenue and capital purposes.

Charging Authority

The authority responsible for administering the Collection Fund and raising, collecting and distributing to precepting authorities council tax.

Collection Fund

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

Council Tax

A charge on the residential property within the authority's area to finance a proportion of the authority's expenditure.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period, and from one accounting period to the next, is the same.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is over and above that which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is no logical basis for apportioning these costs to services.

Creditors

Amounts owed by the authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a) termination of employees' services earlier than expected and

b) termination, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts due to the authority for goods or services provided within the accounting period but not received at the balance sheet date.

Defined Benefit Scheme

A pension or other retirement benefit scheme where the rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Depreciation

The measure of the cost or re-valued amount of the benefits of the long term asset that have been consumed in the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Estimation Techniques

The methods adopted to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Events After the Balance Sheet Date

These are events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Extraordinary Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a long term asset to the lessee.

General Fund

The main account of the authority which records the cost of service provision.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Payments by Central Government towards the cost of local authority services either specifically (e.g. homeless prevention grants) or generally (e.g. revenue support grant).

Impairment of Assets

Where there is reason to believe that the value of a fixed asset has decreased materially in the period, the valuation is adjusted accordingly; this adjustment is known as impairment.

Infrastructure Assets

Long term assets that are inalienable, expenditure which is recoverable only by continued use of the asset created. Examples of are coast protection and flood alleviation.

Intangible Assets

Non-financial long term assets that do not have physical substance and are controlled by the entity through custody or legal rights. An example is computer software.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

These accounting standards have replaced UK Generally Accepted Accounting Practices as the basis upon which the Council's accounts are produced.

Leasing

A method of financing tangible assets where a rental is paid over a period of time. A Finance Lease involves the payment of the full cost of the asset and at the end of the leasing period the asset will belong to the authority. An Operating Lease involves the payment of a rental for the use of the asset and at the end of the leasing period the asset is returned to the lessor.

Liability

An amount due to an individual or organisation which will be paid at some future date.

National Non-Domestic Rates (NNDR)

The amount raised from businesses to fund local authority services. An NNDR poundage is set annually by Central Government and collected by billing authorities. The proceeds are redistributed by the Government between local authorities.

Net Book Value

The amount at which long term assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating an asset in its existing condition and its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Operational Assets

Long term assets held by the Council but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Long term assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Precepts

The method by which a non-billing authority obtains the income from council tax it requires to fund its expenditure by making a levy on the relevant billing authorities in its area.

Precepting Authority

Local authorities which cannot levy a council tax directly on the public but have the power to precept billing authorities.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The scheme liabilities at the valuation date relate to:

a) benefits for pensioners and deferred pensioners (individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing, where appropriate, for future increases; and
b) accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provisions

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Related Parties

Two or more parties are related parties when at any time during the financial period:

(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or
(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made.

Reserves

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

a) an employer's decision to terminate an employee's employment before the normal retirement date; or

b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which does not result in, or remain matched with assets.

Revenue Support Grant (RSG)

A general central government grant paid to the Comprehensive Income and Expenditure Statement in support of the authority's revenue expenditure.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer or the defined benefit scheme of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits

b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits

c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Section 151 Officer

Officer appointed by Council to act as the "proper finance officer" of the Council with legal responsibilities under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Act 1988 to ensure that expenditure incurred by the Council is lawful and that expenditure does not exceed resources.