

Supplementary Papers for Audit and Governance Committee

Date: Thursday, 25 July 2019



14. Statement of Accounts 2018/19 (Appendices A-C)

Appendix A – Bournemouth 2018/19 Statement of Accounts
Appendix B – Christchurch 2018/19 Statement of Accounts
Appendix C – Poole 2018/19 Statement of Accounts

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STATEMENT OF ACCOUNTS 2018/19

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NARRATIVE REPORT

Introduction

Welcome to Bournemouth Borough Council's Annual Statement of Accounts for 2018/19. The purpose of this narrative report is to provide a guide to the Accounts and to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.

The Accounts summarise the Council's transactions and its financial position for the financial year ended 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2016, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice (SeRCOP) 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

Local Government Reorganisation in Dorset

Following parliamentary approval the Secretary of State for the Ministry of Housing, Communities and Local Government decided to implement a locally-led proposal to replace the nine councils in the geographical area of Dorset with two new unitary councils from 1 April 2019. The creation of these new authorities was a strategic response to the ongoing financial challenges faced by all local authorities, particularly those upper tier authorities facing significant demand and cost increases in Adults and Children Social Care services. Cutting out duplication and lowering administration costs delivered by the reduction from nine local authorities to two in Dorset was designed to improve Value for Money (VfM) for local council taxpayers and better enable the protection of quality front line services to the community and residents.

This means that 2018/19 was the final year for this Council and the final time that a specific Statement of Accounts will be produced. This also means that Bournemouth Borough Council does not have a budget for 2019/20. Instead the budget for the new unitary council of Bournemouth, Christchurch and Poole (BCP Council) will cover the services delivered within Bournemouth and is available through the BCP Council website.

Bournemouth Borough Council

A key principle in setting the 2018/19 budget was the Council's ambition for the town and its services for residents. As such the budget was developed within the context of the Council's Corporate Strategy "Ambition 2020 – Building a Better Bournemouth" which provided a clear long term vision for a "top performing, efficient Council, leading Bournemouth to greater economic prosperity". This set the scene for how the Council organised and focused resources.

Ambition 2020 highlighted the Council's commitment to five key priorities and the priority actions that sit beneath them. This strategy reflected the progress that has already been made, and the changing needs of Bournemouth's residents, businesses and visitors. Building a Better Bournemouth was the commitment to the residents of Bournemouth and one which required complete organisational support across all areas of service delivery and not just in the development of physical infrastructure. The priorities were listed as;

- 1) Developing the Future of Local Government in Bournemouth.
- 2) An Efficient Council.
- 3) An Active Community.
- 4) An Improving Environment.
- 5) A Thriving Economy.

This strategy was designed to strengthen the Council's financial standing and to create a leaner, more efficient organisation better able to deliver the Council's priorities, anchored around the key priorities of:

- Achieving financial and budget stability;
- Investing in economic regeneration through innovation and more and better housing solutions;

- Establishing a strong strategic approach to the regeneration of Boscombe as a thriving part of the wider Bournemouth area;
- Leading the development of the Seafront Strategy to deliver targeted investment in the local economy and the future tourism offer for Bournemouth;
- Re-shaping the night-time economy through a strategy which complements the priorities of residents and the wider tourism area.

Despite the climate of continued austerity, the Council continued to deliver its strategic role in the community, particularly through economic growth and the maintenance of valued services. The strategy also recognised that the Government's aim to put the public finances on a sustainable footing. The Government, as part of this approach, presented Bournemouth Borough Council with a significant financial challenge by reducing its core funding for local services to nil by April 2020. This represented a reduction equivalent to approximately £60m per annum.

National Picture

The new Bournemouth Christchurch and Poole Council has inherited, and will therefore operate in, a challenging financial environment.

Nationally a Council's funding is significantly influenced by the Government's cyclical spending reviews which set out the resources they will allocate to the various Government Departments. Within those broad allocations amounts awarded to individual authorities were previously set out in a four year Local Government Finance Settlement. Therefore there is an extremely high level of uncertainty in the council financial planning as the Government have announced that the 2019 Spending Review (SR19) will be concluded alongside the 2019 Budget. In all probability this means that it will not be until late October that we begin to see the shape of the resources being made available to local government for 2020/21. Connected to this is the fact that 2019/20 was the final year of the previous four year local government finance framework. This means that as the actual Local Government Finance Settlement is not likely to be published before December 2019 it is unlikely that BCP Council will have any certainty on a major section of its financial planning framework until between nine and ten weeks before it is required to approve its 2020/21 Budget.

This level of uncertainty is increased as the formulae used for allocating resources from national to local government is being fundamentally reviewed via what is referred to as a "Fair Funding Review". Alongside this the government is considering allowing councils to retain a greater share of their business rates with the expectation that they directly fund more services.

The Financial Position for 2018/19

A key component of the Council's Financial Strategy as approved by Council in February 2018 and reinforced through the process is to achieve a balanced budget position or better on outturn in 2018/19. Despite the loss of funding from Government and increasing demands and pressures on services an overall balanced position against the working budget was achieved.

The outturn has been achieved despite significant service pressures and on-going increasing demand in Children Social Care where the underlying pressure of the costs within Looked After Children, primarily residential care continued. The Councils share of the cost of the Local Government reorganisation has also created in year pressure.

The most noteworthy underspend offsetting this was the Adult Social Care underspend of £3.287k. The transfer within Bournemouth to a new Adult Social Care case management system, alongside the work in the autumn of 2018 as part of the review of operating practices in preparation for the creation of the new BCP Unitary Authority, has now confirmed that the council was able to release £3.3m into the in-year position. In essence detailed work in reconciling the social care database and the actual historical payments identified a positive variance.

The Housing Revenue Account (HRA) made a surplus of £0.98m for 2018/19 which has all been transferred to the HRA New Build Reserve.

The outturn figures for the General Fund included in the table overleaf are different to the figures shown within the Comprehensive Income and Expenditure Statement due to financial accounting adjustments required to be shown in the Statement of Accounts under IFRS. These adjustments include capital charges such as depreciation and impairment, and IAS 19 adjustments including Pensions costs and the holiday pay accrual. The Council includes transfers to or from reserves within

the outturn as this provides income or contributes to reserves but these amounts are excluded from the Comprehensive Income and Expenditure Statement and are included within the Movement in Reserves Statement. In addition, Schools and the HRA are combined with the General Fund position.

	Actual Outturn	Working Budget	Variance
	£'000	£'000	£'000
<u>Service Budgets</u>			
Adult Social Care	49,464	52,750	(3,287)
Public Health	-	-	-
Children & Young People	29,252	28,759	493
Community Learning & Commissioning	18,061	18,071	(10)
Development	8,930	8,920	10
Environment	14,168	14,272	(104)
Housing & Community	21,508	21,517	(9)
Tourism Services	2,450	2,508	(58)
Corporate Services	13,466	13,316	150
Service Budget Total	157,299	160,113	(2,814)
Preparation for Local Government Reorganisation	1,726	-	1,726
Corporate Items	(30,735)	(32,691)	1,955
Net Position	128,290	127,422	868
Corporate Funding	(128,290)	(127,422)	(868)
Net Position	-	-	-

Capital

The Council spent £36.5m on General Fund capital schemes during 2018/19 against the approved programme representing 18% of approved resources which is in-line with general trends as capital programmes span more than one financial year. Schemes completed and significantly underway in year include a number of Primary School extensions allowing the Council to meet demands for pupil places, significant beach management work part funded from the Environment Agency to bolster sea defences and the acquisition of accommodation across the conurbation to support the delivery of Housing Services.

The Housing Revenue Account capital schemes spent £9.1m against the approved programme that represents 43% of the approved resources. Given the significant nature and size of some of these schemes, particularly those involving the building of new affordable homes, a greater degree of resource transfer between years should be anticipated. This is summarised in the table below:

	Planned Programme 2018/19	Expenditure 2018/19
	£000s	£000s
Adults and Children		
Adult Social Care	1,162	759
New Childrens & Adults Care Management System	2,563	1,453
Children's Social Care	6	5
Communities Learning & Commissioning Service	4,292	888
	8,023	3,105
Corporate Services		
Customer Services	(7)	(2)
Corporate & Commercial	15,139	2,791
Asset Investment Strategy	145,296	2,040
Property Company Investments - Temporary accom.	6,984	8,185
	167,412	13,014
Environment & Economy		
Housing Landlord & Parks	2,160	870
Housing General Fund	2,009	2,260
Development	1,016	813
BH Live capital programme	2,054	1,765
Strategic Waste Facility Project	2,535	2,529
Millhams CA ~ Drainage improvements	1,634	1,836
Environment	8,578	5,440
Bournemouth Beach Management	3,454	2,236
Tourism	2,031	1,204
Manor Steps Overnight Huts (9 beach lodges)	1,367	1,462
	26,838	20,415
Total General fund	202,271	36,534
Housing Revenue Account	21,083	9,114
Total Capital Programme	223,354	45,648

Statement of Accounts

The Annual Statement of Accounts is made up of the following primary statements:

Comprehensive Income and Expenditure Statement - This statement is fundamental to understanding the Council's activities. It brings together all of the functions of Bournemouth Borough Council and summarises all of the resources that the Council has generated, used or set aside in carrying out its activities during the year.

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves i.e. those reserves that the Council is not able to use to provide services. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services. More detail is shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This statement is fundamental to understanding the Council's financial position at 31 March 2019. It shows the balances and reserves at the Council's disposal for its future use, long term liabilities and the fixed and net current assets employed in its activities, together with summarised information on the fixed assets held.

Cash Flow Statement - This statement summarises the flows of cash in and out of the Council arising from transactions with third parties. Cash is defined for the purpose of this statement as cash in hand and cash equivalents.

These primary statements are further supported by notes and other financial information, including:

Housing Revenue Account (HRA) Income and Expenditure Statement - The HRA reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

The HRA financial statements are presented in three sections:

- Housing Revenue Account Income and Expenditure Statement which shows the economic cost of providing housing services for the financial year rather than the amount to be funded from rents and government grants;
- Movement on the Housing Revenue Account Statement which reconciles the increase or decrease on the HRA in the year (which includes the statutory amounts required to be charged to the HRA for dwelling rent setting purposes) to the HRA Income and Expenditure Statement (which shows the true economic cost of providing the HRA service);
- notes to the Housing Revenue Account financial statements which provide further financial information to enhance understanding of the HRA statements.

The Collection Fund – This statement reflects the Council's statutory obligation as the billing authority to maintain a separate Collection Fund. The Collection Fund is managed by the Council to receive business rates and council tax income. It is used to collect payments from business rate and council tax payers and to make payments to Central Government, Bournemouth Borough Council and the Fire Authority in respect of business rates, and to the Police and Fire Authorities and Bournemouth Borough Council in respect of council tax.

The Statement of Responsibilities for the Statement of Accounts - This statement sets out the respective responsibilities of the Council and the Service Director (Finance & s151 Officer) as the Council's Section 151 Officer.

The Annual Governance Statement – This statement describes the Council's governance framework with reference to the six principles set out in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. It comments on the effectiveness of these arrangements and identifies any significant governance issues which the Council needs to address going forward. The governance framework comprises of the systems and processes, culture and values, by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.

Group Accounts - The Code of Practice on Local Authority Accounting defines the tests for determining which entities the Council exercises control over and to what degree they can control these entities and based on this which of these entities are included in the Group Accounts.

The aim of the Group Accounts is to show the overall picture of the activities of the Council including entities it exercises control over and the resources used to carry out these activities. The Group Accounts comprise:

- Group Movement in Reserves Statement;

- Group Comprehensive Income and Expenditure Statements;
- Group Balance Sheet;
- Group Cash Flow Statement.

In accordance with the Code of Practice where Group Accounts figures are not materially different from those of the Council's single entity accounts no additional disclosure is required in the notes to the Group Financial Statements.

Adam Richens FCCA CPFA

Chief Finance Officer and Director of Finance
Bournemouth, Christchurch and Poole Council

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. 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 has the responsibility for the administration of those affairs. In this Council that officer is the S151 Officer;
- to manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets;
- to approve the Statement of Accounts.

2. Chief Financial Officer Responsibilities

The Chief Financial 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 of Practice').

In preparing this Statement of Accounts, the S151 Officer has:

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

The S151 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.

3. S151 Officer's Certificate

I certify that the Statement of Accounts provides a true and fair view of the financial position of Bournemouth Borough Council and its income and expenditure for the year ended 31 March 2019.

A Richens

Adam Richens
S151 Officer

Date: 30th May 2019

Adam Richens
S151 Officer

Date:

4. Certification by the Chairman of the Audit and Governance Committee

To be confirmed
Chairman Audit and Governance Committee

Date:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2017/18		Net Expenditure £'000		2018/19		Net Expenditure £'000
	Gross Income £'000	Gross Income £'000			Gross Expenditure £'000	Gross Income £'000	
214,551	(112,608)	101,943		Adults & Children Directorate	200,533	(109,612)	90,920
119,664	(93,972)	25,692		Environment & Economy Directorate	143,714	(106,404)	37,310
118,329	(115,208)	3,121		Corporate Services Directorate	116,098	(102,224)	13,874
452,544	(321,788)	130,756		Cost of Services	460,345	(318,240)	142,104
12,748	(6,835)	5,913		Other Operating Expenditure (see Note 8)	8,889	(2,596)	6,293
30,238	(3,350)	26,888		Financing and Investment Income and Expenditure (see Note 9)	25,440	(5,531)	19,909
-	(146,260)	(146,260)		Taxation and Non-Specific Grant Income (see Note 10)	-	(144,785)	(144,785)
495,530	(478,233)	17,297		(Surplus) or Deficit on Provision of Services	494,673	(471,153)	23,521
		(34,726)		(Surplus) / Deficit on Revaluation of Non-Current Assets			(34,313)
		(59,673)		Actuarial gains / losses on Pensions Assets / Liabilities			(13,171)
		(94,399)		Other Comprehensive Income and Expenditure			(47,484)
		(77,102)		Total Comprehensive Income and Expenditure			(23,963)

MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Usable Capital Receipts £'000	Capital Grants Unused £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2018	(8,357)	(31,168)	(1,227)	(1,932)	(14,476)	(22,056)	(79,216)	(225,371)	(304,586)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	26,606	-	(3,085)	-	-	-	23,521	-	23,521
Other Comprehensive Income and Expenditure - CIES	-	-	-	-	-	-	-	(47,483)	(47,483)
Total Comprehensive Income and Expenditure	26,606	-	(3,085)	-	-	-	23,521	(47,483)	(23,962)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(31,010)	-	2,098	(29)	820	(1,220)	(29,341)	29,341	(0)
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	(4,404)	-	(988)	(29)	820	(1,220)	(5,820)	(18,142)	(23,962)
Transfers (to) / from Earmarked Reserves (See Note 7)	4,635	(5,622)	988	-	-	-	-	-	-
(Increase) / Decrease in Year	231	(5,622)	(0)	(29)	820	(1,220)	(5,820)	(18,142)	(23,962)
Balance at 31 March 2019	(8,127)	(36,791)	(1,227)	(1,961)	(13,656)	(23,276)	(85,035)	(243,513)	(328,548)

MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Usable Capital Receipts £'000	Capital Grants Unused £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2017	(8,245)	(30,825)	(1,227)	(5,412)	(14,908)	(21,605)	(82,222)	(145,263)	(227,485)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	24,578	-	(7,281)	-	-	-	17,297	-	17,297
Other Comprehensive Income and Expenditure - CIES	-	-	-	-	-	-	-	(94,398)	(94,398)
Total Comprehensive Income and Expenditure	24,578	-	(7,281)	-	-	-	17,297	(94,398)	(77,101)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(21,986)	-	4,234	3,480	432	(451)	(14,290)	14,290	(0)
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	2,592	-	(3,047)	3,480	432	(451)	3,006	(80,108)	(77,101)
Transfers (to) / from Earmarked Reserves (See Note 7)	(2,704)	(343)	3,047	-	-	-	-	-	-
(Increase) / Decrease in Year	(112)	(343)	(0)	3,480	432	(451)	3,006	(80,108)	(77,101)
Balance at 31 March 2018	(8,357)	(31,168)	(1,227)	(1,932)	(14,476)	(22,056)	(79,216)	(225,371)	(304,586)

BALANCE SHEET

	Note	2018/19 £'000	2017/18 £'000
Property, Plant and Equipment	11	772,956	743,264
Heritage Assets		646	426
Investment Property	12	80,983	77,329
Intangible Assets		2,405	2,942
Assets Held for Sale	14	19	203
Long Term Investments		3,400	3,400
Long-Term Debtors	13	3,058	2,675
Total Long-Term Assets		863,467	830,242
Short-Term Investments	13	425	9,050
Current Assets Held for Sale	14	3,683	2,940
Inventories	15	1,491	1,281
Short-Term Debtors	16	47,901	47,203
Cash and Cash Equivalents	17	-	43
Total Current Assets		53,500	60,518
Bank Overdraft	17	(1,618)	(2,212)
PFI Current Obligation	36	(444)	(413)
Finance Lease Current Obligation	35	(103)	(99)
Short-Term Borrowing	13	(71,707)	(17,210)
Short-Term Creditors	18	(41,488)	(46,902)
Grants Receipts in Advance - Revenue	32	(122)	(207)
Grants Receipts in Advance - Capital	32	(4,600)	(6,893)
Total Current Liabilities		(120,082)	(73,935)
Provisions	19	(6,222)	(2,104)
Long-Term Borrowing	13	(90,545)	(141,242)
PFI Capital Obligation	36	(8,812)	(9,256)
Finance Lease Capital Obligation	35	(212)	(315)
Pensions Liability	39	(362,545)	(359,320)
Total Long-Term Liabilities		(468,336)	(512,238)
Net Assets		328,549	304,587
Usable Reserves	20		
General Fund		(8,126)	(8,357)
Housing Revenue Account		(1,227)	(1,227)
Earmarked Reserves		(36,790)	(31,168)
Major Repairs Reserve		(1,961)	(1,932)
Usable Capital Receipts		(13,656)	(14,476)
Capital Grants Unused Reserve		(23,276)	(22,057)
Unusable Reserves	21		
Revaluation Reserve		(244,229)	(217,555)
Capital Adjustment Account		(364,562)	(370,400)
Deferred Capital Receipts		(397)	(397)
Financial Instrument Adjustment Account		221	255
Pensions Reserve		362,545	359,320
Accumulated Absence Account		1,086	1,092
Collection Fund		1,823	2,314
Total Reserves		(328,549)	(304,587)

CASH FLOW STATEMENT

	<u>Note</u>	<u>2018/19</u> <u>£'000</u>	<u>2017/18</u> <u>£'000</u>
Net Surplus (Deficit) on the provision of services		(23,521)	(17,297)
Adjust net surplus (deficit) on the provision of services for non cash items		56,212	22,626
Adjust for items included in net surplus (deficit) on the provision of services that are included in Investing and financing activities		(9,312)	(5,689)
Net cash flows from operating activities	22	<u>23,379</u>	<u>(360)</u>
Investing Activities	23	(26,214)	(51,892)
Financing Activities	24	3,386	49,200
Net Increase (decrease) in cash and cash equivalents		<u>551</u>	<u>(3,052)</u>
Cash and Cash Equivalents at beginning of the reporting period		<u>(2,169)</u>	<u>882</u>
Cash and Cash Equivalents at end of the reporting period		<u>(1,618)</u>	<u>(2,169)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2018/19 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18			2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
103,217	(1,275)	101,943	92,168	(1,248)	90,920
		Adults and Children Directorate			
13,239	12,453	25,692	15,132	22,178	37,310
		Environment and Economy Directorate			
10,650	(7,529)	3,121	11,709	2,165	13,874
		Corporate Services Directorate			
127,107	3,650	130,756	119,009	23,096	142,104
		Net Cost of Services			
246	5,668	5,914	251	6,042	6,293
		Other Operating Expenditure			
1,688	25,199	26,887	(27)	19,936	19,909
		Financing and Investment Income and E			
(135,636)	(10,624)	(146,260)	(132,998)	(11,787)	(144,785)
		Taxation and Non-Specific Grant Incom			
(133,702)	20,243	(113,459)	(132,774)	14,190	(118,583)
		Other Income and Expenditure			
4,553	(4,553)	-	4,455	(4,455)	-
		Statutory provision for the financing of capital investment			
5,446	(5,446)	-	3,967	(3,967)	-
		Capital expenditure charged to balances			
(4,340)	4,340	-	-	-	-
		Use of Major Repairs Reserve to repay debt			
(49)	49	-	(49)	49	-
		Disposal Costs Chargeable to Capital Receipts			
(967)	967	-	-	-	-
		Use of Capital Receipts to meet Redundancy costs			
1,498	(1,498)	-	-	-	-
		Pension - capitalised costs funded from redundancy reserve			
(454)	17,751	17,297	(5,392)	28,913	23,521
		(Surplus) or Deficit			
(40,297)			(40,751)		
		Opening General Fund & HRA Balance			
(454)			(5,392)		
		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			
(40,751)			(46,143)		
		Closing General Fund & HRA Balance at 31 March			

1a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adults and Children Directorate	2,071	(2,945)	(373)	(1,248)
Environment and Economy Directorate	25,200	(2,941)	(82)	22,178
Corporate Services Directorate	360	1,829	(24)	2,165
Net Cost of Services	27,631	(4,056)	(479)	23,096
Other Income and Expenditure from the Funding Analysis	(5,698)	20,452	(564)	14,190
Statutory provision for the financing of capital investment	(4,455)	-	-	(4,455)
Capital expenditure charged to balances	(3,967)	-	-	(3,967)
Use of Major Repairs Reserve to repay debt	-	-	-	-
Disposal Costs Chargeable to Capital Receipts	49	-	-	49
Use of Capital Receipts to meet Redundancy costs	-	-	-	-
Pension - capitalised costs funded from redundancy reserve	-	-	-	-
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	13,560	16,396	(1,043)	28,913

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adults and Children Directorate	1,346	(2,260)	(361)	(1,275)
Environment and Economy Directorate	14,323	(1,880)	11	12,453
Corporate Services Directorate	910	(8,424)	(15)	(7,529)
Net Cost of Services	16,579	(12,564)	(365)	3,650
Other Income and Expenditure from the Funding Analysis	(3,499)	22,537	1,204	20,243
Statutory provision for the financing of capital investment	(4,553)	-	-	(4,553)
Capital expenditure charged to balances	(5,446)	-	-	(5,446)
Use of Major Repairs Reserve to repay debt	4,340	-	-	4,340
Disposal Costs Chargeable to Capital Receipts	49	-	-	49
Use of Capital Receipts to meet Redundancy costs	967	-	-	967
Pension - capitalised costs funded from redundancy reserve	-	(1,498)	-	(1,498)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	8,437	8,474	840	17,751

(i) - Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition,

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Finance and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP)
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivables during the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(ii) - Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows.

- For the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES)

(iii) - Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2. Expenditure and Income Analysed by Nature

	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	98,872	92,206
Other services expenses	283,110	296,890
Support service recharges	36,148	32,706
Depreciation, amortisation, impairment	38,214	29,822
Interest payments	25,601	27,434
Precepts and levies	251	246
Payments to Housing Capital Receipts Pool	478	478
Gain on the disposal of assets	8,160	12,025
Pension Backfunding	3,526	3,407
Apprentice Levy	313	316
Total expenditure	494,673	495,530
Income		
Sale Proceeds	(8,041)	(6,835)
Fees, charges and other service income	(135,020)	(134,322)
Interest and investment income	(247)	(436)
Income from council tax, non-domestic rates	(122,755)	(116,345)
Government grants and contributions	(205,089)	(220,294)
Total income	(471,152)	(478,233)
Surplus or Deficit on the Provision of Services	23,521	17,297

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 41 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:

- the Council is a trustee of the BH Live Leisure Trust, a charitable organisation that operates the conference facilities and leisure centres previously operated directly by the Council. It has been determined that the Council does not have control or significant influence over the Trust which is therefore neither a subsidiary nor an associate of the Council. As a result no transactions relating to BH Live Leisure Trust are recorded or represented in these accounts;
- the Council is deemed to control the services provided under the Private Finance Initiative (PFI) agreement for the provision of a central library and associated information technology and also to control the residual value of the library at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the library recognised as property, plant and equipment on the Council's Balance Sheet;
- that during 2018/19 no school was converted to Academy status.
- the Council has produced Group Accounts for subsidiaries / joint entities which it deems to exert significant influence on its activities. Further consideration is set out in the Group Accounts note.

4. 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 past experience, current trends and other relevant factors. Where estimates are made, actual results could be materially different from the assumptions and estimates.

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

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the latest Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. The Council's share of the balance of Business Rate appeals provisions at this date amounted to £3.5m.

Valuation of Assets

Assets are valued in line with Accounting Policy q. Asset values and remaining asset lives are provided by qualified valuation staff operating under Royal Institute of Chartered Surveyors (RICS) professional guidance. The current value in the Balance Sheet is £773m. The impact of errors on the valuation assumptions would flow through the Balance Sheet and would have no direct impact on the revenue account. Based on the experience of Council staff and the guidance under which they operate it is not anticipated that any variances will materially affect the accounts. An indices exercise has been conducted to ensure the assets are not materially different to Fair Value as at the Balance Sheet date. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £2.1m for every year that remaining useful lives had to be reduced.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability.

Pension Assets

Pensions Assets are estimated by a firm of consulting actuaries at each year-end. This figure is at a point in time and subject to significant movement within the year subject to the vagaries of the market and world economic conditions, because of this the figure is very much an estimate and will vary considerably year on year. Variations in the asset value will have a significant effect on the net liability shown in these accounts, however as these amounts are removed by accounting regulation there is no overall impact on the General Fund Balance.

Debt Impairment

At 31 March 2019, the Council had a balance of gross short term debtors balance of £60.9m. A review of significant balances suggested that an impairment of doubtful debts of £8m was appropriate (this is included in the short term debtors to give a total balance of £47.9m). However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Local Government Reorganisation – Dorset

The Secretary of State for Housing, Communities and Local Government approved Statutory Instrument 2018 No. 648 for the reorganisation of all 9 Dorset authorities into 2 new Unitary authorities, Bournemouth, Christchurch and Poole Council and Dorset Council to service the whole of Dorset for the 1st April 2019. Bournemouth Borough Council ceased to exist as an entity on the 31 March 2019, with all assets and liabilities transferred to the new Bournemouth, Christchurch and Poole Council.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the S151 Officer on 31 May 2019. Events taking place after this date are not reflected in the Financial Statements or notes.

There were no events post 31st March 2019 which require reporting in the Statement of Accounts.

6. Adjustments between Accounting Basis and Funding Basis under Regulation

The following tables detail the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on services or on capital investment, or deficit of resources that the Council is required to recover, at the end of the financial year. However, the balance is not available to be applied to fund Housing Revenue Account (HRA) services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the Reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(15,532)	-	-	-	-	(15,532)	15,532	-
Revaluation Losses on Property, Plant and Equipment	(10,725)	7	-	-	-	(10,718)	10,718	-
Movement in the Market Value of Investment Property	462	-	-	-	-	462	(462)	-
Amortisation of Intangible Assets	(573)	-	-	-	-	(573)	573	-
Capital Grants and Contributions Applied	4,384	38	-	-	-	4,423	(4,423)	-
Revenue Expenditure Funded from Capital under Statute	(4,872)	-	-	-	-	(4,872)	4,872	-
Grant Finance of Revenue Expenditure Funded from Capital	4,046	-	-	-	-	4,046	(4,046)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(6,142)	(2,018)	-	-	-	(8,160)	8,160	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	4,967	-	-	-	-	4,966	(4,966)	-
Capital Expenditure charged against General Fund and HRA Balances	2,538	1,429	-	-	-	3,966	(3,966)	-
Sub Total Carried overleaf	(21,446)	(543)	-	-	-	(21,990)	21,990	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2018/19 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(21,446)	(543)	-	-	-	(21,990)	21,990	-
<u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	6,873	-	-	-	(6,873)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	5,653	5,653	(5,653)	-
<u>Adjustments Primarily Involving the Capital Receipts Reserve</u>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	161	2,435	-	(2,596)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	2,889	-	2,889	(2,889)	-
Use of Capital Receipts to meet Redundancy costs	-	-	-	-	-	-	-	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(49)	-	49	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(478)	-	-	478	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-
Sub Total Carried overleaf	(14,890)	1,842	-	820	(1,220)	(13,449)	13,449	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2018/19 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(14,890)	1,842	-	820	(1,220)	(13,449)	13,449	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(6,982)	-	-	(6,982)	6,982	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	6,953	-	-	6,953	(6,953)	-
<u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<u>Adjustments Primarily involving the Financial Instruments Adjustment Account:</u>								
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with statutory requirements	35	-	-	-	-	35	(35)	-
<u>Adjustments Primarily involving the Pensions Reserve:</u>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(32,075)	256	-	-	-	(31,819)	31,819	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	15,423	-	-	-	-	15,423	(15,423)	-
Sub Total Carried overleaf	(31,507)	2,099	(29)	820	(1,220)	(29,839)	29,839	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2018/19 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(31,507)	2,099	(29)	820	(1,220)	(29,839)	29,839	-
<u>Adjustments Primarily involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	492	-	-	-	-	492	(492)	-
<u>Adjustments Primarily Involving the Unequal Pay Back Pay Account:</u>								
Amounts by which amounts charged for Equal Pay Claims to the Comprehensive Income and Expenditure Statement are different from the Costs of Settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	5	(1)	-	-	-	5	(5)	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(31,010)	2,098	(29)	820	(1,220)	(29,343)	29,343	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(15,213)	-	-	-	-	(15,213)	15,213	-
Revaluation Losses on Property, Plant and Equipment	(630)	7	-	-	-	(623)	623	-
Movement in the Market Value of Investment Property	(2,726)	-	-	-	-	(2,726)	2,726	-
Amortisation of Intangible Assets	(501)	-	-	-	-	(501)	501	-
Capital Grants and Contributions Applied	7,227	132	-	-	-	7,359	(7,359)	-
Revenue Expenditure Funded from Capital under Statute	(4,378)	-	-	-	-	(4,378)	4,378	-
Grant Finance of Revenue Expenditure Funded from Capital	4,134	-	-	-	-	4,134	(4,134)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(8,748)	(3,277)	-	-	-	(12,025)	12,025	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	395	4,541	-	-	-	4,936	(4,936)	-
Capital Expenditure charged against General Fund and HRA Balances	4,080	1,366	-	-	-	5,446	(5,446)	-
Sub Total Carried overleaf	(16,360)	2,769	-	-	-	(13,591)	13,591	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2017/18 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(16,360)	2,769	-	-	-	(13,591)	13,591	-
<u>Adjustments Primarily Involving the Capital Grants</u>								
<u>Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	4,536	-	-	-	(4,536)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	4,085	4,085	(4,085)	-
<u>Adjustments Primarily Involving the Capital Receipts Reserve</u>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,151	5,684	-	(6,835)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	6,740	-	6,740	(6,740)	-
Use of Capital Receipts to meet Redundancy costs	(968)	-	-	-	-	(968)	968	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(49)	-	49	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(478)	-	-	478	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-
Sub Total Carried overleaf	(12,118)	8,404	-	431	(451)	(3,733)	3,733	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2017/18 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(12,118)	8,404	-	431	(451)	(3,733)	3,733	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(6,380)	-	-	(6,380)	6,380	-
Excess Depreciation Charged to HRA	-	(4,340)	4,340	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	5,520	-	-	5,520	(5,520)	-
<u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<u>Adjustments Primarily involving the Financial Instruments Adjustment Account:</u>								
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with statutory requirements	62	-	-	-	-	62	(62)	-
<u>Adjustments Primarily involving the Pensions Reserve:</u>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23,161)	173	-	-	-	(22,988)	22,988	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	14,513	(0)	-	-	-	14,513	(14,513)	-
Sub Total Carried overleaf	(20,704)	4,237	3,479	431	(451)	(13,007)	13,007	-

6. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2017/18 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(20,704)	4,237	3,479	431	(451)	(13,007)	13,007	-
<u>Adjustments Primarily involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	(1,271)	-	-	-	-	(1,271)	1,271	-
<u>Adjustments Primarily Involving the Unequal Pay Back Pay Account:</u>								
Amounts by which amounts charged for Equal Pay Claims to the Comprehensive Income and Expenditure Statement are different from the Costs of Settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	(11)	(3)	-	-	-	(14)	14	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(21,986)	4,234	3,479	431	(451)	(14,292)	14,292	-

7. Transfers to/from Earmarked Reserves

	Balance as at 31 March 2017	Transfer between Reserves	Transfer to Revenue	(Transfer from Revenue)	Balance as at 31 March 2018	Transfer between Reserves	Transfer to Revenue	(Transfer from Revenue)	Balance as at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances held by schools under a scheme of delegation	682	(2,194)	3,967	(170)	2,285	-	29	(478)	1,837
Unspent Revenue Grants Reserves	(4,526)	2,194	822	(4,253)	(5,763)	-	2,047	(2,833)	(6,548)
Renewal Funds	(169)	-	96	(76)	(149)	-	57	-	(92)
Repairs and Improvements	(881)	-	963	(497)	(415)	(42)	595	(459)	(322)
Capital Fund	(4,380)	-	4,016	(1,159)	(1,523)	0	1,991	(2,503)	(2,035)
Insurance & Contingent Liabilities	(2,813)	-	-	-	(2,813)	12	778	(76)	(2,100)
Equal Pay Back Pay Reserve	-	-	-	-	-	-	-	-	-
Public Finance Initiative - Interest Reserve	(2,378)	2,000	281	(234)	(330)	-	222	(125)	(233)
Community Action Fund Reserve	-	-	-	-	-	-	-	-	-
Recession Fund Reserve	-	-	-	-	-	-	-	-	-
Redundancy & Reorganisation Reserve	(2,847)	-	2,990	(977)	(834)	(246)	11	(1,190)	(2,258)
Graves Maintenance	(158)	-	61	(1)	(98)	-	1	(124)	(220)
Property Maintenance Reserve	(203)	-	4	(65)	(265)	(124)	135	-	(254)
Welfare Reform Reserve	(70)	-	-	-	(70)	-	-	-	(70)
Autistic Spectrum Disorder at Springwood Reserve	-	-	-	-	-	-	-	-	-
PFI - Equipment Replacement Reserve	(84)	-	-	(45)	(129)	-	-	(45)	(174)
Mercury Abatement Reserve	-	-	-	-	-	-	-	-	-
Managing Change Fund	-	-	-	-	-	-	-	-	-
Boscombe Regeneration Reserve	(145)	-	-	-	(145)	-	40	-	(105)
Entrepreneurial Endeavour Reserve	(704)	674	30	-	-	-	-	-	-
Better Together Funding Reserve	(41)	-	-	-	(41)	-	-	-	(41)
Local Infrastructure Reserve	-	-	-	-	-	-	-	-	-
Other Earmarked Reserves	(102)	(51)	208	(706)	(651)	129	294	(628)	(856)
Asset Investment Strategy ~ Rent, risk & Repairs Reserve	-	-	-	(793)	(793)	-	-	(676)	(1,468)
MTFP Revenue Contingency	(2,954)	(2,736)	408	-	(5,282)	236	637	(152)	(4,561)
Workforce Development Reserve	(116)	-	29	-	(87)	-	40	-	(46)
Social Care Reserve	(844)	-	-	(41)	(885)	-	41	(328)	(1,171)
King's Park Training Pitches (AFC Bmth)	(117)	-	5	(50)	(161)	-	38	(50)	(174)
Financial Planning Reserve	(546)	32	514	-	-	-	-	-	-
Business Rates Appeals Reserve	(326)	-	-	(2,546)	(2,872)	-	1,778	(3,651)	(4,745)
Earmarked Reserves	(23,722)	(81)	14,394	(11,610)	(21,019)	(35)	8,734	(13,318)	(25,636)
Housing Revenue Account									
New Build Reserve	(5,076)	-	1,551	(4,615)	(8,140)	-	1,403	(2,417)	(9,154)
HRA Capital Fund	(27)	-	17	-	(10)	-	10	-	-
High Value Stock Sale Reserve	(2,000)	-	-	-	(2,000)	-	-	-	(2,000)
Housing Revenue Account Total	(7,103)	-	1,568	(4,615)	(10,150)	-	1,413	(2,417)	(11,154)
Total General Fund and HRA Reserves	(30,825)	(81)	15,962	(16,226)	(31,169)	(35)	10,148	(15,735)	(36,790)

8. Other Operating Expenditure

	2018/19	2017/18
	£'000	£'000
Levies	251	245
Payments to the government housing capital receipts pool	478	478
Asset Value – Disposal	8,160	12,025
Sale Proceeds	(2,596)	(6,835)
Total	6,293	5,913

9. Financing and Investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	5,164	4,897
Net interest on the net defined benefit liability	20,452	22,537
Interest receivable and similar income	(1,341)	(333)
Income and expenditure in relation to investment properties and changes in their fair value	(4,366)	(213)
Total	19,909	26,888

10. Taxation and Non-Specific Grant Income

	2018/19	2017/18
	£'000	£'000
Income from council tax	(91,193)	(84,427)
Business rates income and expenditure	(27,877)	(28,977)
Non-ring-fenced government grants	(14,420)	(20,961)
Capital grants and contributions	(11,295)	(11,895)
Total	(144,785)	(146,260)

11. Property, Plant and Equipment

Depreciation

The following have been used in the determination of depreciation charges: -

Classification	Depreciation Method
Council dwellings	Based on material components and different lives
Other buildings	Straight Line
Vehicles, plant and equipment	Straight Line
Infrastructure	Straight Line
Community assets	Straight Line
Assets under construction	None
Surplus assets	None

Following consultation with services the following lives have been applied for depreciation:

Buildings	50 years
Highways infrastructure	20 years
Coast protection infrastructure	25 years
Plant and equipment	1-20 years
Vehicles	5-10 years

Capital Commitments

At 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years. The major commitments are as follows:

	£'000
Care management system	1,110
Avonbourne Academy	600
ICT Replacement	1,182
St Stephens development	10,408
A338 – Wessex Fields link	8,456
Bournemouth Beach Management	1,218
Waterfront site – adventure golf	763

Academies, Foundation and Trust Schools

This year no school has been converted to an academy.

Effects on Changes in Estimation

In the year the Council made no material changes to its accounting estimates for property, plant and equipment.

Revaluations

Other Land and Buildings are re-valued on a five year rolling basis the proportion of the total of these assets valued over the previous financial years is as follows. Where an asset reaches its revaluation date it is checked to see if there is any major work planned which would affect the valuation. If that is the case the revaluation is postponed until the work has been carried out. The valuations are carried out using the Council's Property Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification. The valuations are as at 1 April 2018. As part of the valuation a market review has been conducted by the Internal Valuers to ensure any material changes in valuation have been applied to the relevant sub-category of assets. Relevant property indices have also been applied to assets so that the carrying values within the Balance Sheet are not materially different from current value as at 31 March 2019.

Historic Cost and awaiting completion of major works	132,474
2014/15	18,938
2015/16	17,221
2016/17	32,600
2017/18	27,004
2018/19	544,719
	<u>772,956</u>

All Housing Revenue Account council dwellings are re-valued each year as at 1 April 2018. Housing property indices have been applied so that the carrying values within the Balance Sheet are not materially different from current value. Vehicles, Plant and Equipment, Infrastructure, Community Assets and Assets Under Construction are all valued at Historic Cost within the above table.

11. Property, Plant and Equipment – (Cont'd.)

Movements in Balances 2018/19	HRA Assets*	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
Brought Forward 1 April 2018	316,384	338,726	28,823	187,890	12,716	1,336	988	886,862	6,880
Additions	7,558	16,088	3,749	7,949	171	-	3,230	38,745	-
Revaluation increase/(decrease) recognised in Revaluation Reserve	14,856	5,650	-	-	-	339	-	23,523	5,120
Revaluation increase/(decrease) recognised in Surplus/Deficit on Provision of Services	7	(13,007)	-	-	-	-	-	(15,677)	-
Derecognition – disposals	(2,018)	(460)	(304)	-	-	-	-	(2,782)	-
Derecognition – other	-	(3,764)	(9,600)	(2,002)	(1,151)	-	-	(16,517)	-
Reclassification - within PPE	(438)	1,401	(6)	-	(6)	(2)	(949)	-	-
Reclassification - outside PPE	-	(217)	-	-	-	62	-	(155)	-
Balance Carried Forward 31 March 2019	336,349	344,416	22,663	193,837	11,731	1,735	3,269	913,999	12,000
Accumulated Depreciation & Impairment									
Brought Forward 1 April 2018	(6,380)	(12,764)	(17,590)	(101,810)	(5,054)	(1)	-	(143,598)	(236)
Depreciation for year	(6,982)	(8,169)	(1,538)	(5,532)	(292)	-	-	(22,514)	(380)
Depreciation written out to Revaluation Reserve	6,308	5,206	-	-	-	-	-	11,514	236
Depreciation written to Surplus/ Deficit on Provision of Services	-	2,283	-	-	-	-	-	2,283	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – disposals	-	23	299	-	-	1	-	323	-
Derecognition – other	-	132	8,577	1,321	912	-	-	10,942	-
Reclassification - within PPE	73	(73)	-	-	-	-	-	0	-
Reclassification - outside PPE	-	8	-	-	-	-	-	8	-
Balance Carried Forward 31 March 2019	(6,982)	(13,354)	(10,251)	(106,022)	(4,435)	-	-	(141,044)	(380)
Balance Sheet Amount 1 April 2018	310,004	325,963	11,234	86,080	7,662	1,335	988	743,265	6,644
Balance Sheet Amount 31 March 2019	329,367	331,062	12,410	87,815	7,296	1,735	3,269	772,956	11,620

11. Property, Plant and Equipment – (Cont'd.)

Movements in Balances 2017/18	HRA Assets*	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
Brought Forward 1 April 2017	309,544	321,032	29,431	180,376	12,487	334	1,316	854,520	7,341
Additions	8,792	15,466	1,528	9,389	360	-	111	35,645	-
Revaluation increase/(decrease) recognised in Revaluation Reserve	1,325	15,403	-	-	-	1,031	-	17,760	(461)
Revaluation increase/(decrease) recognised in Surplus/Deficit on Provision of Services	-	(2,862)	-	-	-	-	-	(2,862)	-
Derecognition – disposals	(3,277)	(371)	(324)	-	-	-	-	(3,972)	-
Derecognition – other	-	(6,770)	(1,730)	(1,955)	(23)	-	(106)	(10,584)	-
Reclassification - within PPE	-	360	-	80	(107)	-	(333)	-	-
Reclassification - outside PPE	-	(3,533)	(82)	-	-	(29)	-	(3,643)	-
Balance Carried Forward 31 March 2018	316,383	338,725	28,823	187,890	12,717	1,336	988	886,862	6,880
Accumulated Depreciation & Impairment									
Brought Forward 1 April 2017	(8,763)	(14,457)	(17,699)	(97,137)	(4,769)	(11)	-	(142,834)	(993)
Depreciation for year	(6,380)	(7,901)	(1,644)	(5,382)	(285)	-	-	(21,593)	(236)
Depreciation written out to Revaluation Reserve	8,763	9,163	-	-	-	-	-	17,926	993
Depreciation written to Surplus/ Deficit on Provision of Services	-	65	-	-	-	-	-	65	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	-	10	-	10	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – disposals	-	25	295	-	-	1	-	321	-
Derecognition – other	-	136	1,450	717	-	-	-	2,303	-
Reclassification - within PPE	-	8	-	(8)	-	-	-	-	-
Reclassification - outside PPE	-	197	8	-	-	-	-	205	-
Balance Carried Forward 31 March 2018	(6,380)	(12,764)	(17,590)	(101,810)	(5,054)	-	-	(143,598)	(236)
Balance Sheet Amount 1 April 2017	300,782	306,575	11,732	83,240	7,718	323	1,316	711,686	6,348
Balance Sheet Amount 31 March 2018	310,003	325,962	11,233	86,080	7,663	1,336	988	743,265	6,644

12. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	(4,113)	(3,042)
Direct operating expenses arising from investment property	209	102
(Increase)/decrease in fair value of investment property	(462)	2,728
Net (gain) / loss	(4,366)	(213)

The following table summarises the movement in the fair value of investment property:

	2018/19	2017/18
	£'000	£'000
Brought Forward 1 April	77,329	29,021
Additions	1,996	49,364
Revaluations /(impairments)	1,658	(1,056)
Balance Carried Forward 31 March	80,983	77,329

All Investment Properties have been valued as at 31 March 2019.

The addition in the table above was the purchase of Parkway House - Office/shops. This was purchased on the 22nd January 2019.

VALUATION INFORMATION SURPLUS ASSETS AND INVESTMENT PROPERTY

The Council has used observable and unobservable inputs within a valuation hierarchy to determine the values for surplus assets and for investment properties.

Observable inputs: inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset.

Unobservable inputs: inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset.

These inputs are categorised into three levels termed a fair value hierarchy as outlined in accounting policy i.

Valuation techniques used to determine level 2 fair values

The fair value of investment and surplus property has been measured using the market approach, which takes into account transactional evidence for similar assets in active markets. Market conditions are such that comparable properties are actively purchased and sold and there are a good level of observable inputs which are able to be verified and the source identified.

Valuation techniques used to determine level 3 fair values

For the vast majority of assets assessed as level 3 the fair value has been measured using a market approach and transactional evidence has been identified. However, where we have deemed the evidence not directly comparable resulting in significant adjustments needing to be made, or where the inputs are unobservable we have deemed these valuations to be level 3. 100% of such assets have been determined as level 2.

13. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term		Short Term	
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Financial Assets				
Loans and receivables				
Investments	-	3,400	425	9,050
Debtors (Note 16)	-	-	-	27,800
Long term debtors	-	2,675	-	-
Cash and Cash Equivalents (Note 17)	-	-	-	43
Total Financial Assets - Loans and receivables	-	6,075	425	36,893
Financial assets at amortised cost				
Investments	3,400	-	-	-
Debtors	3,058	-	26,256	-
Cash and cash equivalents	-	-	-	-
Financial assets at fair value through other comprehensive income				
Investments	-	-	-	-
Debtors	-	-	-	-
Total Financial Assets	6,458	6,075	26,681	36,893
Financial Liabilities				
Financial liabilities at amortised cost				
Long term borrowing	(90,545)	(141,242)	-	-
Short term borrowing	-	-	(71,707)	(17,210)
Private finance Initiative obligation	(8,812)	(9,256)	(444)	(413)
Finance lease obligation	(212)	(314)	(103)	(99)
Creditors (Note 18)	-	-	(30,707)	(38,663)
Cash and Cash Equivalents - Bank Overdraft (Note 17)	-	-	(1,618)	(2,212)
Total Financial Liabilities	(99,568)	(150,812)	(104,579)	(58,597)

Further to the adoption of IFRS9 Financial Instruments by the Code of Practice for Local Authority Accounting all financial assets and liabilities previously shown in the Balance Sheet as investments and borrowing have been reclassified. The effective date for the adoption of IFRS9 was 1 April 2018. Changes to the opening Balance Sheet for the year were considered but not made as these were not deemed material.

Significant Soft Loans Made by the Council

Over the years, the Council has made a number of soft loans, principally related to Social Services and Decent Housing, where no interest is charged. The majority of these loans are secured on property and are repaid on sale of property or from the final estate.

Soft loans are summarised as follows:

	2018/19 £'000	2017/18 £'000
Balance at 1 April	1,808	1,667
Nominal value of new loans advanced	636	104
Fair value adjustment on initial recognition	(37)	-
Fair value of new loans	599	104
Loans repaid	(121)	(25)
Adjustments to fair value	72	62
Balance at 31 March	2,358	1,808
Nominal value at 31 March	2,581	2,064

Income, Expense, 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:

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000

Net (gains)/losses on :-

Financial assets at fair value through profit and loss		-	-	-
Financial assets at amortised cost	-	-	(32)	-
Investments in equity instruments designated at fair value through other comprehensive income	-		-	-
Financial assets at fair value through other comprehensive income	-		-	-
Financial liabilities at fair value through profit and loss		-	-	-
Financial liabilities at amortised cost		-	-	-
Total net (gains)/losses	-	-	(32)	-
Interest revenue				
Financial assets at amortised cost	(1,341)	-	(334)	-
Other financial assets at fair value through other comprehensive income	-	-		-
Total interest revenue	(1,341)	-	(334)	-
Interest expense	3,898	-	4,897	-

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by borrowings, long-term debtors and investments 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.

- The fair value of the Public Work Loans Board loans has been calculated at 31 March by reference to the "new loan rate".
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

Fair values are shown in the tables below, split by their level in the fair value hierarchy as follows

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. share prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Level	31st March 2019		31st March 2018	
		Carrying	Fair	Carrying	Fair
		Amount	Value	Amount	Value
		£'000	£'000	£'000	£'000
Financial assets carried at amortised cost					
Investments	2	3,825	3,825	12,450	12,489
Debtors	3	29,314	29,314	30,476	30,476
Cash and cash equivalents	2	-	-	43	43
Total Financial Assets		33,139	33,139	42,969	43,008
Financial liabilities carried at amortised cost					
PWLB borrowing	2	(72,295)	(96,961)	(120,988)	(145,349)
Other borrowing	2	(89,956)	(90,007)	(37,464)	(37,464)
Creditors	3	(30,707)	(30,707)	(38,663)	(38,663)
PFI long-term liability	3	(9,256)	(9,256)	(9,669)	(9,669)
Finance lease liability	3	(315)	(315)	(414)	(414)
Bank (overdrawn)	2	(1,618)	(1,618)	(2,212)	(2,212)
Total Financial Liabilities		(204,147)	(228,864)	(209,410)	(233,771)

The fair value of the financial assets is greater than the carrying amount because the Council's portfolio of borrowing includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans. Fair value is the same as the carrying value, if the fair value was not materially different.

The fair value is shown as the same as the carrying value. This is because a number of the loans are at a variable interest rate which corresponds with the current market rate. The remainder fall within the soft loan category and have had their amortised value reassessed to the market rate at the balance sheet date and are thus also at fair value. Fair value is the same as the carrying value, if the fair value was not materially different. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Financial assets held at amortised cost include deferred payments for services granted under The Health and Social Care Act. These items are required to be classed as 'soft loans' by the Council, the

write down arising from valuing loans at fair value to the income and expenditure account. This amount can then be reversed out to the Financial Instruments Adjustment Account through the Movement in Reserves Fund Balances. The Code allows authorities to apply de minimus levels in assessing whether there is a need to action the adjustments. Several soft loans have been made and these are disclosed above.

In addition to soft loans which have been advanced by the Council, the Council has also been the recipient of a number of loans from Salix Finance Ltd, which are used to fund energy saving efficiency measures to deliver long-term savings, but which are calculated to payback the investment in the short-term. A total of £4.253m was given to the Council in the period to 2014/15, the balance at 31 March 2019 was £38k. Given the low interest rates over the period that these loans were advanced, the impact upon the accounts of adjusting for the difference between the interest free rate at which the Salix loans were advanced, interest rates at that time and the shorter period for paying back these loans, no adjustment has been made to the accounts for these soft loans receivable as this would not be material.

14. Assets Held for Sale

	Long Term		Current	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Balance at 1 April	203	233	2,940	100
Assets newly classified as held for sale - Property, plant & equipment	-	-	(80)	2,353
Net revaluation gains	(18)	58	928	487
Impairment losses	(20)	(88)	-	-
Property, plant & equipment	(163)	-	(87)	-
Assets sold	-	-	-	-
Transfers from current to long term	18	-	(18)	-
Balance at 31 March	20	203	3,683	2,940

15. Inventories

These accounts are not operated using a stores system. They represent unused amounts of various supplies and are valued at each year-end and brought into account. Work in Progress represents work undertaken for third parties that has not yet been billed.

	2018/19 £'000	2017/18 £'000
Work in progress	238	193
Consumable stores	963	796
Stock held for sale	290	292
Total	1,491	1,281

16. Debtors

	2018/19 £'000	2017/18 £'000
Central government bodies	3,292	6,526
Other local authorities	4,805	6,991
NHS bodies	3,206	1,317
Council tax arrears	8,799	11,606
NNDR arrears	1,429	2,986
Bad debt provision	(8,322)	(13,048)
Other entities and individuals	20,182	12,613
Trade organisations	14,510	18,212
Total	47,901	47,203

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	2018/19 £'000	2017/18 £'000
Cash and bank accounts in hand	(232)	43
Overdrawn main bank account	(1,386)	(2,212)
Total Cash and Cash Equivalents	(1,618)	(2,169)

Within the table above includes £1,029k on behalf of Trust Funds for which the acts as trustee and/or administrator.

18. Creditors

	2018/19 £'000	2017/18 £'000
Central government bodies	(3,722)	(3,757)
Other local authorities	(5,560)	(7,194)
NHS bodies	(65)	(414)
Other entities and individuals	(32,141)	(35,537)
Total	(41,488)	(46,902)

19. Provisions

	Insurance Provisions £'000	Business Rates Appeals £'000	Other £'000	Total £'000
Balance at 1 April 2018	(1,096)	(417)	(591)	(2,104)
Additional provisions made in 2018/19	(1,252)	(3,635)	(245)	(5,132)
Amounts used in 2018/19	456	558	-	1,014
Balance at 31 March 2019	(1,892)	(3,494)	(836)	(6,222)

Insurance Provisions

Since April 1992, the Council's insurance strategy has been primarily to be self-insured, with claims falling within self-insured limits being funded from the Insurance Fund. As an indication, the current insurance arrangements require the Insurance Fund to meet any Liability, Fidelity Guarantee, and Professional Indemnity claims under £40,000 and Material Damage claims under £25,000 except losses involving storm/wet perils where the excess is £50,000. To limit the exposure for each year, "stop-loss" cover is arranged annually and the current stop is at £1.4 million. The Fund is financed by contributions from all Service Areas.

On 30 September 1992 the Council's insurers at the time, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council has several outstanding claims with MMI. The estimated value of claims submitted to MMI as at 31 March 2019 was £512,949.

The levels of insurance reserves and provisions are reviewed regularly out to ensure that the Council holds the appropriate level of cover for any potential claims.

Business Rate Appeals

When the new arrangements for the retention of business rates came into effect on 1 April 2013 the Council assumed a share of the liability for refunding ratepayers who successfully appeal against the rateable value of their property. Appeals could be backdated up to five years. The Council is responsible for 49% of these costs and has made a provision for the estimated likely cost of appeals relating to business rates.

Other Provisions

The majority of other provision set aside is in relation to an ongoing litigation case with a previous trade creditor which went in to liquidation. Some settlement was made in relation to one of the companies in 2018/19 but further litigation work is ongoing.

20. Usable Reserves

	2018/19	2017/18
	£'000	£'000
General Fund	(8,126)	(8,357)
Housing Revenue Account	(1,227)	(1,227)
Earmarked reserves	(36,790)	(31,168)
Major Repairs Reserve	(1,961)	(1,932)
Usable Capital Receipts	(13,656)	(14,476)
Capital Grants Unapplied	(23,276)	(22,056)
Total Usable Reserves	(85,036)	(79,216)

21. Unusable Reserves

	2018/19	2017/18
	£'000	£'000
Revaluation Reserve	(244,229)	(217,555)
Capital Adjustment Account	(364,562)	(370,400)
Deferred Capital Receipts Reserve	(397)	(397)
Financial Instrument Adjustment Account	221	256
Pensions Reserve	356,665	359,320
Accumulated Absences Account	1,086	1,092
Collection Fund Adjustment Account	1,823	2,314
Total Unusable Reserves	(249,393)	(225,370)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are 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.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(217,555)	(189,462)
Upward revaluation of assets	(63,178)	(44,959)
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on Provision of Services	28,865	10,234
Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services	(34,313)	(34,726)
Difference between fair value depreciation and historic cost depreciation	7,639	6,632
Accumulated (gains) and losses on assets sold or scrapped	-	-
Amount Written off to the Capital Adjustment Account	7,639	6,632
Balance at 31 March	(244,229)	(217,555)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. 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 Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the cost of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007 the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(370,400)	(368,361)
Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for Depreciation and Impairment on Non-Current Assets	26,250	15,836
Depreciation of HRA	6,982	6,380
Non-Current Assets to Major Repairs Reserve	573	501
Amortisation of Intangible Assets	4,872	4,378
Revenue Expenditure Funded from Capital under Statute	8,160	12,025
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	46,837	39,120
Adjusting amounts written out of the Revaluation Reserve	(7,639)	(6,632)

Net written out amount of the cost of Non-Current Assets consumed in the year	39,198	32,488
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(2,889)	(5,772)
Use of the Major Repairs Reserve to finance new Capital Expenditure	(6,954)	(5,319)
Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(4,423)	(7,359)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(4,046)	(4,134)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(5,652)	(4,085)
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(4,967)	(4,936)
Capital Expenditure Charged against the General Fund and HRA Balances	(3,967)	(5,648)
	(32,898)	(37,253)
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(462)	2,726
Balance at 31 March	(364,562)	(370,400)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(397)	(397)
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to Capital Receipts Reserve upon receipt of cash	-	-
Write off Deferred Capital Receipt Reserve to Short Term Debtors	-	-
Balance at 31 March	(397)	(397)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited and credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to this account in the

Movement in Reserves Statement. Over time, the amounts are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The Account is also used to manage the interest costs associated with the Council's soft loans.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	256	318
Proportion of premiums and discounts incurred in previous financial years to be charged to the General Fund balance in accordance with statutory requirements	-	-
Cost of soft loans charged to Comprehensive Income and Expenditure Statement in year	-	-
Proportion of cost of soft loans incurred in previous Financial years to be credited to General Fund balance in accordance with statutory requirements	-	-
Amount by which finance costs shown in the Comprehensive Income and Expenditure Statement are different from the amounts shown in accordance with statutory requirements	(35)	(62)
Balance at 31 March	221	256

Pensions Reserve

The Pensions Reserve absorbs 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 accruing years of service, updating liabilities recognised to reflect inflation, changing assumptions and investment returns on any 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 pension 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 come to be paid.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	359,320	410,518
Remeasurements of the net defined benefit liability	(13,171)	(59,673)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	31,819	22,988
Employer's pension contributions and direct payments to pensioners payable in the year	(15,423)	(14,513)
Balance at 31 March	362,545	359,320

Accumulated Absences Account

The accumulated absences account absorbs the difference that would otherwise arise on the General Fund balance from accruing compensated absences earned but not taken in the year, e.g. annual

leave entitlement carried forward at 31 March. Statutory Arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	1,092	1,077
Settlement of cancellation of accrual made at the end of the preceding year	(1,092)	(1,077)
Amounts accrued at end of current year	1,086	1,092
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(6)	15
Balance at 31 March	1,086	1,092

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	2,314	1,044
Amount by which council tax and business rates Income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(491)	1,270
Balance at 31 March	1,823	2,314

22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19	2017/18
	£'000	£'000
Interest received	(202)	(173)
Interest paid	5,164	5,241

The Deficit on the Provision of Services line has been adjusted for the following non-cash movements:

	2018/19	2017/18
	£'000	£'000
Depreciation	22,514	15,213
Impairment and downward valuations	18,878	3,356
Amortisation	572	501
Movements in pension liabilities	16,396	8,475
Increase / (decrease) in creditors	(4,612)	7,594
(Increase) / decrease in debtors	(311)	(12,420)
(Increase) / decrease in provisions	-	63

(Increase) / decrease in inventories	(210)	(94)
Other items	2,985	(64)
	56,212	22,624

The Surplus or Deficit on the Provision of Services line has been adjusted for the following items that are investing and financing activities:

	2018/19	2017/18
	£'000	£'000
Net Costs of non current assets sold or decommissioned	6,029	5,190
Grants Received toward funding capital expenditure	(15,341)	(10,879)
	(9,312)	(5,689)

23. Cash Flow Statement - Investing Activities

	2018/19	2017/18
	£'000	£'000
Purchase of property, plant & equipment, investment property and intangible assets	(41,563)	(85,737)
Purchase of short-term and long-term investments	-	9,025
Proceeds from sale of property, plant & equipment, investment property and intangible assets	2,013	6,835
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	13,336	17,985
Net cash flows from investing activities	(26,214)	(51,892)

24. Cash Flow Statement - Financing Activities

	2018/19	2017/18
	£'000	£'000
Cash receipts of short and long-term borrowing	5,698	(52,725)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI	(512)	479
Repayments of short and long-term borrowing	(1,898)	-
Other payments for financing activities	98	3,046
Net cash flows from financing activities	3,386	(49,200)

25. Trading Operations

The Council operates the following significant trading operations which are incorporated into the Comprehensive Income and Expenditure Statement as an integral part of the services the Council offers to the public.

Amusement Centres

The amusement centres at Bournemouth Pier providing gaming and amusement machines are operated in order to maximise income reducing the support costs of Seafront Service.

	2018/19	2017/18
	£'000	£'000
Income	(1,690)	(1,562)
Less expenditure	789	742

Net (Surplus) / Deficit	(901)	(820)
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Trade Refuse

The Council collects and disposes of commercial waste on behalf of businesses throughout the Borough.

	2018/19	2017/18
	£'000	£'000
Income	(1,848)	(1,812)
Less expenditure	1,802	1,791
Net (Surplus) / Deficit	(46)	(21)

Golf Course Management

An 18-hole golf course is provided which also offers bar and buffet facilities.

	2018/19	2017/18
	£'000	£'000
Income	(326)	(279)
Less expenditure	318	262
Net (Surplus) / Deficit	(8)	(17)

Catering

Figures below shows the catering outlets operated by Seafront Services and Parks (2018/19 only). Seafront Services operate two sites and ten seasonal kiosks on the seafront. Parks operate 2 outlets in Queens Park and Boscombe Gardens, and those in the Lower Gardens in Bournemouth centre.

	2018/19	2017/18
	£'000	£'000
Income	(2,819)	(1,990)
Less expenditure	2,539	1,750
Net (Surplus) / Deficit	(280)	(240)

26. Pooled Budgets

Section 75 of the Health Act 2006 contains powers that enable health and local authorities to work together for the benefit of clients of their services by using pooled budgets and the delegation of functions. A pooled budget is a mechanism by which the partners to the agreement bring money to form a discrete fund. The purpose and scope of the fund is agreed at the outset and then used to pay for the services and activities for the relevant client group.

The Council contributed to two pooled budgets within the Better Care Fund during 2018/19.

Integrated Community Equipment Store

This pooled budget arrangement is between Bournemouth Borough Council, Borough of Poole Council and all the principal health authorities in Dorset. This Council acts as the host authority for this budget. The scheme commenced in 2010.

2018/19	2017/18
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	£'000	£'000
<u>Funding provided to the Pooled Budget:-</u>		
The Council	644	645
Partners	7,706	7,054
	8,350	7,699
Expenditure met from the pooled budget	8,350	7,699
Net Surplus arising on the pooled budget during the year	-	-
Council's share of the Net Surplus	-	-

There are 4 overarching schemes in the pan Dorset Better Care Fund for 2018/19 and these have been reviewed to identify the substance of each scheme for accounting purposes. None of the schemes have been identified as joint arrangements within the IFRS definition.

Within the Better Care Fund, for 2018/19 the Community Equipment scheme is provided as a pan Dorset service, bringing together the previous two arrangements for the Dorset Council and Bournemouth Borough Council and Borough of Poole's areas respectively. Bournemouth Borough Council is lead commissioner for the pan Dorset service and there is a risk share agreement covering the contributions to the scheme, requiring a pooled budget arrangement.

Moving on From Hospital Living

For the third year, the Better Care Fund has included a pooled budget for people moved on from hospital living. This has brought together budgets from the Borough of Poole, Bournemouth Borough Council, Dorset County Council and the Dorset Clinical Commissioning Group. Individual councils are lead commissioners for their respective expenditure. The Borough of Poole is leading the co-ordination of the overall pooled budget and risk share arrangements. Bournemouth's share of this budget in 2018/19 was £1.481m and the council is responsible for a 10.52% share of any overspends on the overall budget.

27. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Council publishes each year details of the total amount of basic allowance, special responsibility allowance, travel allowance, subsistence allowance, carer's allowance and co-optees allowance paid to Members of Bournemouth Borough Council.

	2018/19	2017/18
	£'000	£'000
Total allowances paid	759	756

28. Officers' Emoluments

The number of directly employed employees whose gross remuneration, excluding employer pension contributions was £50,000 or more in bands of £5,000 were as below. The figures do include exit costs.

	<u>2018/19</u>	<u>2017/18</u>
Remuneration Band	No. of Employees	No. of Employees
£50,000 - £54,999	33	32
£55,000 - £59,999	11	7
£60,000 - £64,999	14	11
£65,000 - £69,999	16	16
£70,000 - £74,999	4	1
£75,000 - £79,999	1	1
£80,000 - £84,999	2	3
£85,000 - £89,999	1	1
£90,000 - £94,999	2	1
£95,000 - £99,999	1	2
£100,000 - £104,999	2	1
£105,000 - £109,999	2	2
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£125,000 - £129,999	-	2
£130,000 - £134,999	1	
£140,000 - £144,999	-	1
£255,000 - £259,999	1	-
Total	92	83

These figures contain the Council's Senior Officers that have been individually listed on overleaf.

28. Officers' Emoluments - (Cont'd.)

Individuals Posts of Senior Employees :

	Salary, fee & allowances £'000	Compensation for loss of Office £'000	Expenses £'000	Total £'000	Pension £'000	Total £'000
2018/19						
Managing Director	139	117	-	256	20	276
Executive Director (Environment and Economy)	110	-	-	110	17	127
Director of Adults and Children (DASS & DCS)	118	-	-	118	18	136
Service Director (Legal and Democratic)	104	-	-	104	16	120
	471	117	0	588	71	659
2017/18						
Managing Director	128	-	-	128	19	147
Executive Director (Environment and Economy)	111	-	-	111	17	128
Director of Adults and Children (DASS & DCS)	128	-	-	128	19	147
Service Director (Legal and Democratic)	101	-	-	101	15	116
	468	-	-	468	70	539

* Executive Director (Corporate Services) salary is £118k is a joint role for both Bournemouth Borough Council and Borough of Poole - employed directly by Poole Borough Council and disclosed in their accounts so excluded from this disclosure. £77k is recharged to this Council and is not showed above but is within the Comprehensive Income and Expenditure Statement.

** Joint Chief Financial Officer is a joint role for both Bournemouth Borough Council and Borough of Poole - annualised salary is £104k - employed directly by Poole Borough Council and disclosed in their account, and therefore excluded from this disclosure. £65k is recharged to this Council and is not showed above but is within the Comprehensive Income and Expenditure Statement.

*** Service Director (Legal & Democratic) is a joint role with costs shared between Bournemouth Borough Council and Borough of Poole - employed directly by Bournemouth Borough Council and therefore shown in this disclosure. Poole contributed £65k towards the cost of this post, this income is shown within the Comprehensive Income and Expenditure Statement.

**** BCP Chief Executive's costs was not a Senior Officer at Bournemouth Borough Council, but the costs were shared by Bournemouth Borough Council, Borough of Poole and Christchurch Borough Council. Bournemouth Borough Council's share of the costs were £45k.

29. Officers' Emoluments – Exit Package

Exit Package Cost bands (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band £'000
<u>2018/19</u>				
£0 - £20,000	25	23	48	305
£20,001 - £40,000	11	5	16	443
£80,001 - £100,000	2	-	2	169
£480,001 - £500,000	1	-	1	482
Totals for 2018/19	39	28	67	1,399
<u>2017/18</u>				
£0 - £20,000	32	30	62	538
£20,001 - £40,000	6	18	24	683
£40,001 - £60,000	4	6	10	537
£60,001 - £80,000	2	2	4	291
£80,001 - £100,000	-	1	1	94
£120,001 - £140,000	1	-	1	124
£220,001 - £240,000	-	1	1	220
Totals for 2017/18	45	58	103	2,487

14 Members of staff with a total exit cost of £185k will be recharged to Stour Valley and Poole Partnership (60% of the cost). 1 member of staff with a total exit cost of £482k will be recharged to neighbouring authorities, with Bournemouth Borough Council picking up £238k.

30. 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 to non-audit services provided by the Council's external auditors.

	2018/19	2017/18
	£'000	£'000
Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year	89	115
Fees payable to External Auditors for the certification of Grant Claims and Returns for the year	20	6
Objection to the Accounts review 2017/18	3	-
Fees payable in respect of Other Certification work provided by the External Auditor	-	6

Total

112

127

In 2018/19 housing benefit claims were subject to an external audit fee of £14k.

In addition to the fees above £30k was payable in respect of external audit of the Seascope Group Ltd, Bournemouth Building and Maintenance Ltd, Seascope South Ltd, Seascope Homes and Property Ltd and the charities' accounts.

31. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2018/19 before Academy recoupment			119,413
Academy figure recouped for 2018/19			(85,085)
Total DSG after Academy recoupment for 2018/19			34,328
Plus: Brought Forward from 2017/18			(3,188)
less: Carry forward to 2019/2020 agreed in advance			3,188
Agreed initial budgeted distribution in 2018/19	17,197	17,131	34,328
In year adjustments	767	578	1,345
Final budgeted distribution for 2018/19	17,964	17,709	35,673
Less Actual Central Expenditure	(17,827)	-	(17,827)
Less Actual ISB deployed to Schools	-	(17,789)	(17,789)
Carry Forward to 2019/20	137	(80)	(3,131)

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2018/19	2017/18
	£'000	£'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Grants:		
Revenue Support Grant	(7,422)	(12,136)
New Homes Bonus Grant	(2,022)	(3,483)
Adult Social Care Grant	-	(888)
PFI Support Grant	(1,254)	(1,254)
NNDR s31 Grants	(3,686)	(2,942)
Better Care Funding	-	(152)
Education Services Grant	(37)	-
Right to Free Travel	-	(107)
Sub-total	(14,421)	(20,961)
Capital Grants and Contributions		
Miscellaneous Transport Grants	(1,767)	(4,044)
Other Contributions	(9,528)	(7,851)
Sub -total	(11,295)	(11,895)
Total	(25,716)	(32,856)
	2018/19	2017/18
	£'000	£'000
Credited to Services		
Dedicated Schools Grant	(35,674)	(32,498)
Pupil Premium Grant	(1,010)	(731)
Public Health Grant	(10,502)	(11,079)
Rent Allowances	(60,244)	(71,498)
Rent Rebates	(13,931)	(14,758)
Grants towards Revenue Expenditure Funded From Capital under Statute	(4,046)	(4,134)
Miscellaneous	(13,293)	(9,191)
Total	(138,700)	(143,889)

The Council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at year-end are as follows:

	2018/19	2017/18
	£'000	£'000
Capital Grants Receipts in Advance		
Government Grants	(1,444)	(1,147)

Other Contributions	(3,156)	(5,747)
Total	(4,600)	(6,894)

	2018/19	2017/18
	£'000	£'000
Revenue Grants Receipts in Advance		
Government Grants	(25)	(165)
Other Contributions	(96)	(42)
Total	(121)	(207)

33. Related Parties

The Council is required to disclose material transactions with related parties. Related parties are 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 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, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions the Council has with other parties, e.g. council tax bills, housing benefits.

Grants received from government departments are set out in Note 1 within the Expenditure and Funding Analysis. Grant receipts outstanding at 31 March are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of Members' Allowances paid is shown in Note 27.

The amounts paid to these related parties are as follows:

	2018/19	2017/18
	£'000	£'000
Bournemouth YMCA	593	383
Springbourne Family Centre	7	34
The Royal Bournemouth & Christchurch Hospitals NHS Trust	123	123
Bournemouth & Poole College	0	51
Dorset Healthcare University Foundation Trust	598	452

The amounts owing to and from these related parties are as follows:

	2018/19	2018/19	2017/18	2017/18
	Owing to	Owing from	Owing to	Owing from
	£'000	£'000	£'000	£'000

Bournemouth YMCA	(53)	28	(74)	10
The Royal Bournemouth & Christchurch Hospitals NHS Trust	-	46	-	76
Springbourne Family centre	-	-	(1)	8
Bournemouth & Poole College	(48)	-	(70)	-
Dorset Healthcare University Foundation Trust	(13)	4	(32)	170
BH Live*	(78)	28	(98)	578

*BH Live – in addition to the above disclosures there are two separate soft loans between the Council and BH Live. These are included within Note 13 Financial Instruments. The total amount outstanding is £100k.

Officers

The Monitoring Officer has determined that the following bodies should be shown as related parties for officers.

The amounts paid to these related parties are as follows:

	2018/19	2017/18
	£'000	£'000
Police and Crime Commissioner for Dorset	309	n/a
Bournemouth Town Centre BID	660	617

The amounts owing to and from these related parties are as follows:

	2018/19	2018/19	2017/18	2017/18
	Owing to	Owing from	Owing to	Owing from
	£'000	£'000	£'000	£'000
Police and Crime Commissioner for Dorset	(19)	108	-	5
Bournemouth Town Centre BID	(2)	0	-	144

Other Public Bodies (subject to common control by Central Government)

The Council has a pooled budget arrangement with other public bodies in the area for the provision of an Integrated Community Equipment Store. Transactions and balances outstanding are shown in Note 26.

The Council has a joint arrangement with Borough of Poole Council for the delivery of Adult Learning Services. Both authorities record their share of income and expenditure within their own accounts.

Prior to the creation of the new BCP Council, the council had started a joint services approach with the Borough of Poole Council. This involved staff being responsible for services delivered to both Bournemouth Borough Council and the Borough of Poole Council but only for certain areas. Staff were employed by one authority or the other at the management level and were recharged for the time spent managing the service on behalf of the other Council.

	2018/19	2017/18
	£'000	£'000
Borough of Poole Council	17,239	9,111

The amounts owing to and from the Borough of Poole Council are as follows: -

	2018/19	2018/19	2017/18	2017/18
	Owing to	Owing from	Owing to	Owing from
	£'000	£'000	£'000	£'000
Borough of Poole Council	(1,882)	1,810	(3,572)	3,632

Other Entities the Council has influence over

The Council is a member of The Bournemouth Development Company LLP, where both Members and officers make decisions with regards to the transfer of Council assets, as a form of payment. Although no asset transfer was undertaken during 2018/19, we recognise the potential conflict of interest and always ensure that Members and officers on the board are withdrawn from any negotiations and decisions made by the Council.

The Council acts as trustee for several charities. See the Group Accounts at the towards the end of the Statement of Accounts for more details of the transactions between the Council and the charities.

The Council also has established companies, which the Officers and Members have been undertaking Directors roles on their boards. The accounts for these companies are again consolidated within the Group Accounts. The companies are as follows:

- Seascope South Ltd
- Bournemouth Building & Maintenance Ltd
- Seascope Group Ltd
- Tricuro Ltd
- Seascope Homes & Property Ltd

The amounts paid to these companies are as follows:

	2018/19	2017/18
	£'000	£'000
Seascope South Ltd	380	380
Bournemouth Building & Maintenance Ltd	1,095	6,004
Seascope Group Ltd	-	-
Tricuro Ltd	7,845	9,988
Seascope Homes & Property Ltd	295	-

The amounts owing to and from these companies are as follows:

	2018/19	2018/19	2017/18	2017/18
	Owing to	Owing from	Owing to	Owing from
	£'000	£'000	£'000	£'000
Seascope South Ltd	(25)	97	(20)	135
Bournemouth Building & Maintenance Ltd	(446)	5	(308)	508
Seascope Group Ltd	-	2	-	15
Tricuro Ltd	-	252	(1,335)	1,630
Seascope Homes & Property Ltd	-	357	-	247

34. Capital Expenditure and Capital Financing

The total amount of 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 to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase

in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19	2017/18
	£'000	£'000
Opening Capital Financing Requirement	241,126	188,475
Capital Investment		
- Property, Plant & Equipment	38,745	35,645
- Investment Property	1,996	49,364
- Assets Held for Sale	-	-
- Inventory	-	-
- Intangible Assets	36	517
- Deferred Debtors	-	-
Revenue Expenditure Funded from Capital under Statute	4,872	4,378
Sources of Finance:		
- Capital Receipts	(2,889)	(5,772)
- Government Grants and Contributions	(14,121)	(15,578)
- Revenue Finance	(3,967)	(5,648)
- Major Repairs Reserve	(6,954)	(5,319)
Other Sums set aside from Revenue:		
- Revenue Provision for Repayment of Borrowing	(4,967)	(4,937)
Closing Capital Financing Requirement	253,877	241,125
Explanation of movements in year:		
Decrease in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	12,750	52,650
Assets acquired under Finance Leases	-	-
Increase in Capital Financing Requirement	12,750	52,650

35. Leases

Council as Lessee

Finance leases

The Council has two buildings and the mercury abatement unit at the Crematorium under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts.

	2018/19	2017/18
	£'000	£'000
Other land & Buildings	8,300	7,109
Vehicle & plant	280	375
Total	8,580	7,484

Depreciation on Other Land and Buildings amounted to £246k and on Vehicles Plant and Equipment amounted to £95k in 2018/19. When the Council entered the finance leases for the buildings it paid an initial premium in the first year with no subsequent minimum lease payment. However, the Council is committed to making minimum lease payments under the lease for the mercury abatement unit comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2018/19	2017/18
	£'000	£'000
Finance lease liabilities		
Current	103	99
Non-Current	212	315
Finance costs payable in future years	22	36
Minimum Lease Payments	337	450

The minimum lease payments will be payable over the following periods:

	2018/19	2017/18
	£'000	£'000
Not later than one year	114	114
Later than one year and not later than five years	223	336
Later than five years	-	-
Total	337	450

Operating Leases

The Council has acquired a number of assets, including refuse vehicles and schools and office space and equipment, by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	2018/19	2017/18
	£'000	£'000
Not later than one year	240	599
Later than one year and not later than five years	354	683
Later than five years	6,443	6,424
Total	7,037	7,706

The expenditure charged to the Net Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2018/19	2017/18
	£'000	£'000
Minimum lease payments	455	1,024
Contingent rents	1	27
Total	456	1,051

Council as Lessor

Finance Leases

The Council has leased out two properties on finance leases with terms in excess of fifty years under which there was a substantial premium in the first year and no subsequent rental. In these circumstances there are no long-term debtors in respect of these leases. The council received £173k (£98k 2017/18) as lease income and £2k (£8k 2017/18) as contingent rent in 2018/19.

Operating Leases

The Council leases out properties and land for the provision of community services, such as sports facilities and tourism services.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2018/19	2017/18
	£'000	£'000
Not later than one year	1,777	1,221
Later than one year and not later than five years	6,489	4,428
Later than five years	22,752	22,395
Total	31,018	28,044

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £367k contingent rents were receivable by the Council (2017/18 £188k).

36. Private Finance Initiatives and Similar Contracts

Central Library Public Finance Initiative (PFI) Scheme

The Council has a PFI contract for the provision of the central library and related information technology equipment. The contract commenced on 11 March 2002 and is for a period of 30 years. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the library and maintain it to a minimum acceptable standard. The buildings at the end of the contract will be transferred to the Council for minimal consideration.

Property, Plant and Equipment

The assets used to provide the services at the central library are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in Note 11.

Payments

The Council is committed to making the following payments under the terms of the PFI contract. The payments are subject to change in accordance with the Retail Price Index (RPI). The amounts listed below are at March 2019 price base.

	Capital	Interest	Service
	Obligation	Element	Charge
	£'000	£'000	£'000
Within one year	444	1,286	877
Within two to five years	2,143	5,316	3,780
Within six to ten years	3,737	6,919	5,399
Within eleven to fifteen years	2,931	4,195	3,644

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	2018/19	2017/18
	£'000	£'000
Balance outstanding at 1 April	(9,669)	(10,052)
Payments during the year	413	383
Balance outstanding at 31 March	<u>(9,256)</u>	<u>(9,669)</u>

37. Termination Benefits

The cost to the Council for the termination of contracts of employment is as follows:-

Directorate	2018/19			2017/18		
	No. of People		£'000	No. of People		£'000
	Compulsory	Agreed		Compulsory	Agreed	
Adults & Children	3	12	120	27	6	379
Environment & Economy	18	12	417	14	18	1,031
Corporate Services	17	5	503	4	34	1,077
	<u>38</u>	<u>29</u>	<u>1,040</u>	<u>45</u>	<u>58</u>	<u>2,487</u>

Details of the number of exit packages and total cost per band are shown in Note 29.

38. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The amount paid to the Teachers' Pension Scheme is recognised in the accounts as a charge to net cost of service.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

	2018/19	2017/18
Amount paid to Teachers' Pensions Scheme - £'000	<u>847</u>	<u>822</u>
Percentage of pensionable pay - %	16.48	16.48

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the Terms and Conditions of Employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by Dorset County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Teachers' Pensions additional benefits, arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investments built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Teachers pensions have now been combined with the Local Government Pension Scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Present Value of the Defined Benefit Obligation	(830,730)	(813,059)
Fair Value of Plan Assets	468,185	453,739
Net Liability arising from defined Benefit Obligation	(362,545)	(359,320)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening Fair Value of Scheme Assets 1 April	453,738	447,225
Interest Income	11,499	11,852
Remeasurement Gain / (Loss)		
- Return on Plan Assets (excluding the amount included in the net interest expense)	8,955	10,678
- Other	-	-
Administration Expenses	(363)	(317)
Contributions from Employer	15,404	14,494
Contributions from Employees into the Scheme	3,955	3,916
Benefits Paid (net of transfers in)	(25,004)	(23,958)
Receipt of Bulk Transfer Value	-	(10,151)
Closing Fair Value of Scheme Assets at 31 March	468,184	453,739

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- Service Cost	22,479	11,963
- Administration Cost	363	317
- Interest Income	(11,475)	(11,829)
	<u>11,367</u>	<u>451</u>
Financing and Investment Income and Expenditure		
- Interest Cost	20,452	22,537
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	31,819	22,988
Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the Net Defined Benefit Liability comprising:		
- Return on Plan Assets (excluding the amount included in the net interest expense)	8,955	10,678
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	-	-
- Actuarial Gains and Losses arising on changes in Financial Assumptions	117	(68)
- Other	-	-
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	40,891	33,598
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(31,819)	(22,989)
Actual amount charged against the General Fund Balance for Pensions in the year:		
- Employers' Contributions payable to the Scheme	15,423	14,513

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening Balance at 1 April	(813,059)	(857,743)
Current Service Cost	(21,925)	(23,160)
Interest Cost	(20,476)	(22,560)
Contributions from Scheme Participants	(3,955)	(3,916)
Experience loss/gain on defined benefit obligation	-	-
Remeasurement Gain/(Loss)		
- Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	47,294	-
- Actuarial Gains/(Losses) arising on changes in Financial Assumptions	(37,179)	38,330
- Other	-	10,684
Past Service Cost, including Curtailments	(554)	(1,646)
Benefits Paid (Net of transfers in)	23,507	22,489
Payment of Bulk Transfer Values	-	22,994
Unfunded Pension Payments	1,497	1,469
Closing Balance at 31 March	(824,850)	(813,059)

Local Government Pension Scheme Assets Comprised:

	2018/19	2017/18
	£'000	£'000
Cash and Cash Equivalents	14,057	6,373
Equity Instruments	237,556	245,258
Corporate Bonds	33,197	31,802
Government Bonds	60,742	59,409
Property	94,810	83,464
Other Investment Funds	27,822	27,433
	468,184	453,739

Basis for Estimating Assets and Liabilities

Local Government Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary level etc.

The Dorset County Council Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Fund being based on the latest full valuation of the scheme as at 31 March 2019.

There have been some significant movements in regard to the net pension liability and associated movements within the pension fund. These movements are due the differing assumptions that the actuaries have applied to the pension valuation.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2018/19	2017/18
	%	%
Expected rate of return on assets in the scheme:	5.00	5.00
	2018/19	2017/18
	Years	Years
Mortality assumptions		
Longevity at 65 for current pensioners		
- Men	22.9	24.0
- Women	24.8	26.1
Longevity at 65 for future pensioners		
- Men	24.6	26.2
- Women	26.6	28.4
	2018/19	2017/18
	%	%
Rate of inflation	3.40	3.30
Rate of increase in Salaries	3.90	3.80
Rate of increase in Pensions	2.40	2.30
Rate for Discounting Scheme Liabilities	2.40	2.55

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	22,451	(21,084)
Rate of increase in salaries (increase or decrease by 1%)	21,757	(21,757)
Rate of increase in Pensions (increase or decrease by 1%)	22,305	(21,222)
Rate for Discounting Scheme Liabilities (increase or decrease by 1%)	21,222	(22,306)

There have been relatively modest movements with regards to the net pension liability, service cost and associated movements within the Pension fund. These movements are due the differing assumptions that the actuaries have applied to the pension valuation. One notable change in the assumptions this year is in respect of the mortality projections where the actuary has indicated that it is now assumed that the improvements in mortality which have slowed in recent year is "a new trend rather than a blip". This has an impact upon the overall liabilities of the scheme, which is reflected in the figures reported here and which will be factored into the next valuation in 2020.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Impact on the Council's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a maximum of the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £14,576k in contributions to the scheme in 2019/20.

Tricuro Pension Guarantee

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

The scheme is only open to employees that transferred from Dorset County Council, Bournemouth Borough Council and Poole Borough Council. The LGPS is closed to new entrants from the 1 April 2016. A new scheme has been introduced from 2017/18 for employees not eligible to join the LGPS. The assets and liabilities in relation to the staff that transferred on a fully funded basis on 1 July 2015. The company is responsible for all pension costs incurred post transfer and the three local authorities are responsible for all assets and liabilities in respect of pensionable service before that date.

40. Contingent Liabilities

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

41. Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments are held by the Council in the form of financial liabilities and financial assets:

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council. It can be represented by a contractual obligation to deliver cash or financial assets or through an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount the Council will have to pay if the lender requested or agreed the early repayment of loans.

The Council's loan portfolio at year end consisted of PWLB loans, loans from a commercial lender, short-term loans from other local authorities and a small balance of interest free Salix loans. The Council also utilises a bank overdraft facility as part of its daily treasury management activity.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For simple loans the effective interest rate normally equates to the same as the actual rate payable on the instrument.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

Allowances for impairment losses should be calculated for amortised cost assets, applying the expected credit losses model. This approach is useful when there are a large number of comparable financial liabilities and this methodology which assesses current and prospective losses according to a weighted probability of losses occurring. The Council used an alternative methodology for calculating losses on assets by reviewing most financial assets individually rather than as a class of asset. Consequently, this methodology is used to calculate losses which are then debited to the CIES as a proxy for the expected credit losses required to be calculated under IFRS9. Not all assets will have an expected loss as the debt may be held against a guarantee or property.

Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. The opening balances for the amortised cost assets would not be materially affected by the expected credit losses and no change to the value of these in the Balance Sheet as at 1 April 2018 has been made..

One further exception to the expected credit losses model applies to investments with Government or other local authorities as there are statutory provisions in place to prevent default on these debts.

The Council's activities expose it to a variety of 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 for the Council as a result of changes in interest rates.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and it has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Treasury Management function is carried out in accordance with the Annual Treasury Management Strategy which is approved each year by Cabinet.

Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they are rated independently, with a minimum Fitch Rating of Short Term F1, Long Term A-. In the case of building societies, the short-term rating is F2, Long Term A-. The Council has a specific policy of not lending more than 20 to 25% of its surplus balances to one institution depending on the category and risk rating of that institution. There are no geographical limitations on where the investments are made provided they meet the rating requirements.

These requirements have been relaxed where the UK government has become a major shareholder of the institution.

Historically the Council has never suffered a loss of deposits with banks and financial institutions.

- short-term Rating 'F1' Indicates the strongest capacity for timely payment of financial commitments;
- short-term Rating 'F2' indicates a good capacity for timely payment of financial commitments, however the margin of safety is not as great as in the case of the higher ratings;
- long-Term Rating 'A' denotes expectations of a low credit risk. The capacity for payment of financial commitments is considered strong.

Credit risk - Financial Assets:	Balance as at 31 March 2019 £'000	Balance as at 31 March 2018 £'000
Long-Term Debtors:		
- with other Public Bodies	265	292
- secured against property	2,259	1,591
- unsecured	533	793
Investments:		
Local Government	-	3,500
Building Societies	-	-
UK Domiciled Banks	-	5,000
Non UK Bank	-	-
Landfill Allowances	-	-
Debtors:		
Government and Public Bodies	11,303	14,834
Other entities and individuals	36,598	32,369
Total Financial Assets	50,958	58,379

The credit risk associated with the loans with other public bodies and those secured against property is minimal, however, the unsecured loans are at risk of non-payment. However, the credit risk associated with these amounts is reflected in the impairment allowance.

Debtors are also subject to non-payment. Impairment allowances are calculated for these based on the historic experience of levels of default. By including these allowances within the accounts, the credit risk is recognised in the accounts.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. One exception to this was in relation to a series of short term loans totalling £49m, which were borrowed from other local authorities at low rates in the short-term pending longer-term financing. These short-term loans become repayable in 2019/20 and the Council has a strategy in place to replace these loans with a long-term loan. The Council also holds significant deposits with approved financial institutions which would allow flexibility when any replacement borrowings need to be taken out.

The maturity analysis of the financial instruments held is as follows:

	Balance as at 31 March 2019 £'000	Balance as at 31 March 2018 £'000
less than one year	(103,705)	(56,385)
between one and two years	(1,962)	(49,546)
between two and five years	(7,923)	(5,760)
between five and ten years	(7,267)	(3,472)
in ten years or more	(81,672)	(71,781)
Total Financial Liabilities	(202,529)	(186,944)

Market Risk - Interest Rate Changes

The Council is exposed to risk associated with changes in interest rates on its borrowings and investment. A rise in interest rates would have the following impact on the Council's accounts:

- long-term borrowings - the fair value of these fixed interest borrowings shown in this note would be less;
- temporary borrowings - the interest payable in the Comprehensive Income and Expenditure Statement would be greater;
- long-term loans and receivables, the interest receivable on the variable interest loans in the Comprehensive Income and Expenditure Statement would be greater and the fair value shown in these notes would be less;
- short-term investments - the interest receivable in the Comprehensive Income and Expenditure Statement would be greater;
- Private Finance Initiative (PFI) contract payments are not subject to variations in interest rates but the payments are subject to adjustments based on the Retail Price Index (RPI).

If interest rates had been 1% higher, with all other variables held constant, the financial impact on the accounts would be:

Comprehensive Income and Expenditure Statement:

	2018/2019 £'000	2017/2018 £'000
Increase in Interest Payable/(Receivable) on:		
Temporary Borrowing	85	25
Short-Term Investments	(117)	(133)
Long-Term Debtors	-	-
Impact on Income and Expenditure	(32)	(108)

Decrease in Fair Values:

	Balance as at 31 March 2019 £'000	Balance as at 31 March 2018 £'000
Fixed Rate Long-Term Borrowing - Liability	17,407	34,158
Soft Loans - Asset	72	62

42. Accounting Policies**a. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which state that the Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice (SeRCOP) 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of assets and financial instruments. These accounts have been prepared on the basis the Council is a going concern.

b. 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 completion of the transaction and the probable economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are received. Where there is a gap between the date supplies are received and their use, they are carried as Inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than

three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

d. Exceptional Items

When items of income and expense are material i.e. they are significant items to the understanding of the Council's performance, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the core financial statements.

e. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions, on the Council's financial position or performance.

Where a change in relation to an accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

f. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end and include wages and salaries, paid annual leave and sick leave, bonuses and non-monetary benefits for current employees. These are charged as an expense for services in the year in which employees work for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which can be carried forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services line but reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is committed to the termination, or to making an offer of voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement transfers are required to and from the Pensions Reserve to remove the notional charges and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Council are members of two separate pension schemes:

- the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the Local Government Pensions Scheme administered by Dorset County Council.

Both schemes provide defined benefits i.e. a retirement lump sum and an annual pension, which are earned as employees work for the Council.

The arrangements for the teachers' pensions scheme mean that the Council's liabilities for these benefits cannot be separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the teachers' pensions scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Dorset County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. 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 etc. and projections of earnings for current employees;
- liabilities are discounted to their value at current prices using a discount rate of 3.4% based on the indicative rate of return on high quality corporate bonds;
- the assets of Dorset County Council Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value;
- the change in the net pensions liability is analysed into the following components:
 - I. service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
 - net interest on the net defined liability i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - II. re-measurements comprising:
 - the net return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the Dorset County Council Pension Scheme is cash paid as an employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance 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. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve 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 earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g. Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where an event would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Prior to the implementation of IFRS9 on 1 April 2018, financial assets were classified into two types:

- loans and receivables. These were deemed to be assets with fixed or determinable payments but which were not quoted in an active market;
- available for sale assets. These were assets that had a quoted market price and/or did not have fixed or determinable payments.

The balance sheet figures for 2017/18 are still presented on the former basis as the change to the new accounting standard is not being applied retrospectively. However, the implementation of IFRS9 means that financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The Council has made a number of loans at less than market rates. These are called soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

When assets are identified as impaired because of a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

i. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been met.

Conditions are stipulations that specify future economic benefits or service improvements required to be made using the grant or contribution without which the grant or contribution must be returned to the transferor.

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

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

j. Heritage Assets

The Council's heritage assets consist mostly of historic civic regalia, trophies and portraits of former civic dignitaries that increase the knowledge, understanding and appreciation of the Council's history and the local area and this makes their preservation for future generations important. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment, apart from valuations which are based on insurance values. These valuations are updated as necessary.

The carrying values of heritage assets are reviewed where there is evidence of physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Depreciation is chargeable on heritage assets if they meet the Council's general policies for depreciation, currently no depreciation is chargeable on the assets held as depreciation or amortisation is not required on heritage assets which have indefinite lives. A record of the heritage assets held by the Council is maintained in the Asset Register.

k. Intangible Assets

Expenditure on intangible assets that have no 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed, with adequate resources being available, and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, statute requires that amortisation, impairment losses and disposal gains and losses do not have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

l. Inventories

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

Work in progress on uncompleted works, including affordable dwellings, is valued at the lower of cost, including an allocation of overheads, and net realisable value.

m. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. This definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if the property is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's-length arrangement. Investment properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

n. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations. These involve the use of the assets and resources of the organisations rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets and liabilities that it controls on its Balance Sheet and charges or credits the Comprehensive Income and Expenditure Statement with its share of income and expenditure in accordance with its interest in the venture.

o. Leases

Leases are classified as finance leases where under the arrangements most of the risks and rewards associated with ownership of the property, plant or equipment transfer from the lessor to the lessee. All other leases are classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at its fair value measured at the lease's start (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease reduce the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment; and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life, where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by using an adjusting transaction in the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet, whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal, matched by a lease, long-term debtor, asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, together with any premiums received; and
- finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over an item of property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the commencement of the lease.

Sale and Leaseback Arrangements

The Council has entered into a material sale and leaseback agreement. This has been accounted for as Short and Long-Term Borrowing and annual repayments are split between principal and interest elements within the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

p. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SeRCOP). Total absorption costing principle is used, and 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, the costs relating to the Council's status as a multifunctional, democratic organisation;
- Non-Distributed Costs, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

q. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to, an asset's potential to deliver future economic benefits or service potential i.e. repairs and maintenance, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price and;
any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 its current value.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Where this is the case the gain is held in the Donated Assets Account until conditions are met. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historic cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values, or both, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, this is at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to

recognise unrealised gains. Gains which arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement where they were originally debited.

Decreases in value are accounted for in the following ways:

- 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 line in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and any shortfall is recognised as an impairment loss.

Impairment losses are accounted for in the following ways:

- 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 line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line 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.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life i.e. freehold land and certain community assets, and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on the following bases:

- dwellings and other buildings, straight-line allocation over the useful life of the property as estimated by a suitably qualified valuer;
- vehicles, plant, furniture and equipment, straight-line allocation over the useful life of the item as advised by a suitably qualified officer;
- infrastructure, straight-line allocation over 20 or 25 years.

Where an item of property, plant and equipment has major components, whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This additional analysis is only required for assets that the Council deem 'significant'. The Council is required to set a materiality threshold to assist with the identification of such assets. This level has been set at £2 million for individual assets and a significance level for separate components of 20% of the whole asset's original cost. Consideration of componentisation is only required for assets that meet these two criteria. This is the minimum requirement, but services may choose to apply componentisation for assets below this threshold if it assists with asset planning.

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 their historic cost. Any depreciation on revaluation gain is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction 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 market value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in market value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services line. 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 and 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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains previously accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be 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 non-current 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.

r. School Assets

The accounting treatment of schools' assets is decided by the legal framework of the type of school.

Community and voluntary controlled schools' land and buildings are recorded on the Council's Balance Sheet and any capital expenditure is added to the balances.

Voluntary aided and foundation schools' land and buildings are not shown on the Council's Balance Sheet and any capital expenditure is written off through Revenue Expenditure Funded from Capital under Statute under Children's and Education on the Comprehensive Income and Expenditure Statement. This treatment has been deemed relevant due to the Dioceses having control over the use and activities provided by these school assets.

When schools become self-governing academies the ownership of the buildings is passed to the governing body either as a disposal or a long lease. For accounting purposes this is treated as a disposal for nil consideration resulting in a substantial loss on disposal in the Comprehensive Income and Expenditure Statement. If the school is in the middle of building works at the time of the transfer the disposal will be accounted for once the building works are complete.

Individual schools' balances at 31st March, excluding academies, are included in the Balance Sheet of the Council.

The Dedicated Schools Grant is allocated between central Council budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and

delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Children's and Education services.

s. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services is with the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for a minimal or no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value, based on the cost to purchase the property, plant and equipment, is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet in respect of PFI or similar contracts are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- fair value of the services received during the year, charged to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost, an interest charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent, increases in the amount to be paid for the property arising during the contract is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement; and
- payment towards liability, applied to write down the Balance Sheet liability towards the PFI operator. The profile of write-downs is calculated using the same principles as for a finance lease.

t. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation to a third party, which is likely to require settlement by transferring economic benefit or service potential and the value can be reliably estimated. For instance, the Council may be involved in a court case that could eventually result in a settlement or the payment of compensation.

Provisions are charged as a cost to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate, at the balance sheet date, of the amount required to settle the obligation.

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer will be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party e.g. from an insurance claim, this is only recognised as income for the relevant service if it is almost certain that reimbursement will be received.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its Equal Pay Strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Reserve created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay

Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset, but 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 a transfer of economic benefits or service potential to the Council.

u. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 appropriate service in that year to count against the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against 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 resources for the Council, these reserves are explained in the relevant policies.

v. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of an asset for the Council has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

w. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

y. Segmental Reporting

Segment reporting - a segment should be reported where:

- its expenditure is 10% or more of the gross expenditure within the net expenditure of continuing operations;
- or its income is 10% or more of the gross income within the net expenditure of continuing operations

Where the reportable segments identified by applying these criteria do not include at least 75% of the expenditure within the net expenditure of continuing operations, additional segments or combinations

of segments should be treated as reportable segments until the reportable segments include at least 75% of expenditure within the net expenditure of continuing operations.

z. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require the authority to prepare Group Accounts. In the Council's single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

aa. Collection Fund

The Council is a billing authority who collects money on behalf of the precepting authorities (police and fire authority).

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The fund's key features relevant to accounting for council tax and business rates in the primary financial statements are:

- in its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax and business rates income on behalf of Central Government the major preceptors and itself.
- while the council tax and business rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the major preceptors (and Central Government for business rates) and in turn credited to their General Fund.

Council tax and business rates included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors and business rate payers belongs proportionally to the billing authority and the major preceptors (and Central Government for business rates). There will therefore be a debtor / creditor position between the billing authority and each major preceptor and Central Government to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council tax payers and business rate payers.

ab. Fair Value Movement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period., mainly Assets Held for Sale and Investment Properties. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council's internal property valuers provide valuations of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable inputs for the asset or liability

43. Accounting Standards that have been issued but have not yet been adopted

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

- Amendments to IAS 40 Investment Property: Transfers of Investment
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

All of these standards will be incorporated into the Code from 2019/20 and will be complied with by the Authority. However, none have a material impact for the Council and none warrant specific disclosure in these accounts.

44. Local Government Reorganisation

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2018/19 £'000	2017/18 £'000
EXPENDITURE		
Repairs and Maintenance	5,328	4,806
Supervision and Management	6,682	6,552
Rents, rates, taxes and other charges	105	126
Depreciation and Impairment of Non-current Assets	6,975	6,374
Debt Management Expense	75	75
Total Expenditure	19,165	17,933
INCOME		
Dwelling rents (gross)	(22,381)	(22,496)
Non-dwelling rents (gross)	(144)	(441)
Charges for services and facilities	(772)	(1,089)
Contributions towards expenditure	(659)	(883)
Total Income	(23,956)	(24,909)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	(4,791)	(6,976)
HRA share of Non-Distributed Costs	(445)	(315)
Net Cost of HRA Services	(5,236)	(7,291)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(Gain) or loss on disposal of HRA fixed assets	(417)	(2,407)
Interest payable and similar charges	2,481	2,440
Investment Income	(65)	(34)
Pensions Interest Cost and Expected Return on Pension Assets	189	143
Capital Grants and Contributions	(38)	(132)
(Surplus) / Deficit for the year on HRA Services	(3,086)	(7,281)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2018/19 £'000	2017/18 £'000
Balance at Beginning of Year	(1,227)	(1,227)
(Surplus)/Deficit on HRA Income and Expenditure Statement	(3,086)	(7,281)
Adjustments between Accounting Basis and Funding Basis under Statute:	2,098	4,234
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(988)	(3,047)
Transfers to/(from) Earmarked Reserves	988	3,047
(Increase)/Decrease in Year on the HRA	-	-
Balance at End of Year	(1,227)	(1,227)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council was responsible for managing the following housing stock:

	Bedrooms No.	2018/19 No.	2017/18 No.
Houses	1	1	1
	2	648	649
	3	1,055	1,061
	4	99	96
	5+	13	12
Flats	0	365	367
	1	1,692	1,697
	2	758	763
	3	21	21
Bungalows	0	8	8
	1	288	288
	2	111	111
	3	26	25
	4	-	-
	5	1	1
		5,086	5,100

2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	Council Dwellings £'000	Other Land & Buildings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation				
Brought Forward 1 April 2018	312,301	4,083	931	317,315
Additions	7,558	-	1,556	9,114
Revaluation increase / decrease recognised in Revaluation Reserve	13,329	1,528	-	14,857
Revaluation increase / decrease recognised in surplus/ deficit in Provision of Services	-	7	-	7
Derecognition Disposals	(2,018)	-	-	(2,018)
Reclassifications within PPE	1,224	(1,661)	(892)	(1,329)
Balance Carried Forward 31 March 2019	332,394	3,957	1,595	337,946
Cumulative Depreciation and Impairments				
Brought Forward 1 April 2018	(6,246)	(135)	-	(6,381)
Depreciation for year	(6,883)	(99)	-	(6,982)
Depreciation written out to Revaluation Reserve	6,246	62	-	6,308
Depreciation written out to Surplus / Deficit on Provision of Services	-	-	-	-
Derecognition – Other	-	73	-	-
Reclassifications within PPE	-	-	-	-
Balance Carried Forward 31 March 2019	(6,883)	(99)	-	(6,982)
Balance Sheet Amount 1 April 2018	306,056	3,948	931	310,935

325,511	3,858	1,595	330,964
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The valuation of the housing stock based on vacant possession at 31 March 2019 was £937 million (1 April 2018 £910 million). This assumes that the stock is unoccupied and could be sold. The carrying value of the stock on the Balance Sheet is based on existing use as social housing. The difference between the two methods reflects the economic cost of providing council housing at less than market rent.

3. Major Repairs Reserve

The Major Repairs Reserve (MRR) controls an element of capital resources required to be used on HRA assets or for capital purposes. Under self-financing arrangements there are regulations that require the MRR to be credited with an amount equal to the depreciation charge on all HRA assets. Under the adopted transitional arrangements this is abated to the notional Major Repairs Allowance (MRA). The balance is available to fund HRA capital expenditure.

	2018/19	2017/18
	£'000	£'000
Balance Brought Forward 1 April	(1,932)	(5,412)
HRA Depreciation from Capital Adjustment Account	(6,982)	(6,380)
Excess Depreciation to HRA	-	-
Financing of HRA debt	-	4,541
Financing of HRA Capital Expenditure - Council Housing	6,953	5,319
Balance Carried Forward 31 March	(1,961)	(1,932)

4. Summary of Capital Expenditure and Sources of Finance

	2018/19	2017/18
	£'000	£'000
Opening Capital Financing Requirement	58,276	68,281
Appropriation of property from the HRA	(1,330)	-
Capital Investment:		
Property, plant and equipment	9,114	8,902
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance:		
Capital Receipts	(626)	(1,706)
Government Grants and Contributions	(38)	(264)
Revenue Finance	(1,409)	-
Major Repairs Reserve	(6,954)	(5,319)
Reserve	-	(1,613)
Switch between HRA and General Fund	-	(5,464)
Revenue Provision for Repayment of Borrowing	-	(4,541)
Closing Capital Financing Requirement	57,033	58,276
Explanation of movements in year:		
Decrease in underlying need to borrow (supported by Government financial assistance)	(1,243)	(10,005)
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
Appropriation of property to the HRA	-	-
Increase / (decrease) in Capital Financing Requirement	(1,243)	(10,005)

5. Capital Receipts

	2018/19	2017/18
	£'000	£'000
Usable Capital Receipts Brought Forward 1 April	(12,376)	(10,489)
Capital receipts in year:		
- Sale of Council Houses	(2,435)	(5,684)
- Housing Advances Repaid	-	-
Pooled Capital Receipts	478	478
Admin Costs for RTB	49	49
Applied to finance Capital Expenditure:		
- Housing (HRA)	626	1,706
- Housing (General Fund)	-	1,564
Balance Carried Forward 31 March	(13,658)	(12,376)

6. Depreciation and Impairment of Non-Current Assets

	2018/19	2017/18
	£'000	£'000
Depreciation is charged based on the useful life of assets as follows:		
- Council Dwellings	6,883	6,246
- Other Land and Buildings	99	135
	6,982	6,381
Impairment resulting from the reduction in the valuation of non-current assets resulted in a charge to the income and expenditure account as follows:		
- Council Dwellings	-	-
- Other Land and Buildings	(7)	(7)
	(7)	(7)
Total charge to income and expenditure account	6,975	6,374

7. Rent Arrears

	2018/19	2017/18
	£'000	£'000
Cumulative Gross Arrears	1,201	1,365
Impairment allowance for Uncollected Debts	1,103	1,103

In addition to the impairment allowance for uncollected rents shown above there is also an impairment allowance for non-payment of amounts outstanding for rechargeable works that have been carried out on behalf of tenants/leaseholders.

THE COLLECTION FUND

	2018/19	2017/18
	£'000	£'000
<u>INCOME</u>		
Income from Council Tax	(109,187)	(101,759)
Income Collectable from Business Ratepayers (NNDR)	(68,746)	(68,082)
Contribution from Precepting Authorities - towards deficit balance (NNDR)	(4,793)	(1,459)
Total Income	(182,726)	(171,300)
<u>EXPENDITURE</u>		
Council Tax - Precepts and Demands		
- Bournemouth Borough Council	90,337	83,847
- Dorset Police and Crime Commissioner	12,969	12,017
- Dorset & Wiltshire Fire & Rescue	4,564	4,360
Business Rate:		
- Share to Major Preceptors		
- Bournemouth Borough Council	30,812	31,816
- Dorset & Wiltshire Fire & Rescue	629	649
- Share to Central Government	31,441	32,465
- Transitional Protection Payments	1,858	3,464
- Costs of Collection	291	292
Impairment of Debts and Appeals		
Council Tax:		
- Write Offs	-	-
- Allowance for impairment	285	843
Business Rate:		
- Write Offs	-	-
- Allowance for impairment	662	690
- Appeals charged against provision	7,419	2,483
Contribution of surplus to Preceptors		
- Council Tax	686	857
- Business Rates	-	-
Total Expenditure	181,953	173,783
Movement in Fund Balance (Surplus)/Deficit	(773)	2,483
Balance Brought Forward 1 April:		
Council Tax:		
- Bournemouth's Proportion	(692)	(827)
- Preceptors' Proportion	(135)	(165)
Business Rate:		
- Bournemouth's Share	3,006	1,870
- Central Government Share	3,068	1,908
- Preceptors' Share	61	38
Balance Carried Forward 31 March	4,535	5,308
Council Tax:		
- Bournemouth's Proportion	(974)	(692)
- Preceptors' Proportion	(199)	(135)
Business Rate:		
- Bournemouth's Share	2,797	3,006
- Central Government Share	2,854	3,068
- Preceptors' Share	57	61
	4,535	5,308

NOTES TO THE COLLECTION FUND

1. Income from Council Tax

The council tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of tax properties are placed in one of eight valuation bands by Her Majesty's Revenue and Customs. After accounting for discounts, exemptions etc, these are then converted to a Band D equivalent which is known as the Tax Base. The Tax Base for 2018/19 on which the tax was set was:

Valuation Band	No. Of Properties	Proportion to Band D	No. Of Band D Equivalent Properties
A* - disabled relief for Band A property	2	5/9	2
A	10,790	6/9	7,193
B	13,444	7/9	10,456
C	18,801	8/9	16,712
D	13,432	9/9	13,432
E	7,140	11/9	8,727
F	3,141	13/9	4,537
G	1,421	15/9	2,368
H	91	18/9	181
Total	68,262		63,608

The above Band D Equivalent figure is adjusted by the expected collection rate of 98.7% to give the Tax Base for the year.

2. Income from Business Rate Payers

	2018/19 £	2017/18 £
Total Rateable Value at 31 March (£)	166,662,076	166,688,187
The Multiplier (rate in the £) as set by Government (Pence)	49.3	47.9

3. Distribution of Estimated Balance on the Collection Fund

In accordance with regulations the balance on the Collection Fund has to be estimated on 15 January each year. This estimate is distributed the following year between the authorities.

The Estimated (Surplus) / Deficit on the Collection Fund was distributed as below:

	2018/19 £'000	2017/18 £'000
Bournemouth Borough Council	(574)	(713)
Dorset Police and Crime Commissioner	(82)	(105)
Dorset & Wiltshire Fire and Rescue	(30)	(38)
Total	(686)	(856)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure 2017/18 £'000	Restated Gross Income 2017/18 £'000	Net Expenditure 2017/18 £'000		Gross Expenditure 2018/19 £'000	Gross Income 2018/19 £'000	Net Expenditure 2018/19 £'000
			Service:			
226,014	(124,071)	101,943	Adults & Children Directorate	208,378	(117,457)	90,921
131,943	(106,918)	25,025	Environment & Economy Directorate	151,713	(114,559)	37,154
118,329	(115,208)	3,121	Corporate Services Directorate	116,098	(102,224)	13,874
476,286	(346,197)	130,089	COST OF SERVICES	476,189	(334,240)	141,949
(17,252)	(6,809)	(24,061)	Other Operating Expenditure	7,439	2,747	10,186
30,276	(3,250)	27,026	Financing and Investment Income and Expenditure	25,501	(5,426)	20,075
-	(146,260)	(146,260)	Taxation and Non-Specific Grant Income	-	(144,785)	(144,785)
-	(240)	(240)	Share of Joint Venture Profit	-	(40)	(40)
489,310	(502,756)	(13,446)	(Surplus) / Deficit on Revaluation of Non-Current Assets	509,129	(481,744)	27,385
		(34,726)	(Surplus) / Deficit on Revaluation of Non-current Assets			(34,313)
		(59,673)	Actuarial (gains) / losses on Pensions Assets / Liabilities			(13,171)
		(94,399)	Other Comprehensive Income and Expenditure			(47,484)
		(107,845)	Total Comprehensive Income and Expenditure			(20,099)

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	(8,355)	(31,168)	(1,227)	(1,932)	(14,476)	(22,057)	(79,215)	(225,372)	(304,586)	(99,188)	(403,774)
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	26,606	-	(3,085)	-	-	-	23,521	-	23,521	3,863	27,384
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	(47,483)	(47,483)	-	(47,483)
Total Comprehensive Income and Expenditure	26,606	-	(3,085)	-	-	-	23,521	(47,483)	(23,962)	3,863	(20,099)
Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net (Increase) / Decrease before Transfers	26,606	-	(3,085)	-	-	-	23,521	(47,483)	(23,962)	3,863	(20,099)
Adjustments Between Accounting Basis and Funding Basis under Regulations - Note 7 Single entity	(31,010)	-	2,098	(29)	820	(1,220)	(29,341)	29,341	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves - Note 8	(4,404)	-	(987)	(29)	820	(1,220)	(5,820)	(18,142)	(23,962)	3,863	(20,099)
Transfers (to) / from Earmarked Reserves	4,635	(5,622)	987	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	231	(5,622)	-	(29)	820	(1,220)	(5,820)	(18,142)	(23,962)	3,863	(20,099)
Balance at 31 March 2019	(8,124)	(36,790)	(1,227)	(1,961)	(13,656)	(23,277)	(85,035)	(243,514)	(328,548)	(95,325)	(423,874)

GROUP MOVEMENT IN RESERVES STATEMENT 2017/18 (Restated)

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(8,245)	(30,825)	(1,227)	(5,412)	(14,908)	(21,605)	(82,222)	(145,263)	(227,485)	(68,446)	(295,930)
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	24,578	-	(7,281)	-	-	-	17,297	-	17,297	(30,740)	(13,443)
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	(94,398)	(94,398)	-	(94,398)
Total Comprehensive Income and Expenditure	24,578	-	(7,281)	-	-	-	17,297	(94,398)	(77,101)	(30,740)	(107,841)
Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net (Increase) / Decrease before Transfers	24,578	-	(7,281)	-	-	-	17,297	(94,398)	(77,101)	(30,740)	(107,841)
Adjustments Between Accounting Basis and Funding Basis under Regulations - Note 7 Single entity	(21,986)	-	4,234	3,480	432	(451)	(14,290)	14,290	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves - Note 8	2,592	-	(3,047)	3,480	432	(451)	3,006	(80,108)	(77,101)	(30,740)	(107,841)
Transfers (to) / from Earmarked Reserves	(2,704)	(343)	3,047	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(112)	(343)	-	3,480	432	(451)	3,006	(80,108)	(77,101)	(30,740)	(107,841)
Balance at 31 March 2018	(8,357)	(31,168)	(1,227)	(1,932)	(14,476)	(22,056)	(79,216)	(225,371)	(304,586)	(99,185)	(403,772)

GROUP BALANCE SHEET

	2018/19 £'000	Restated 2017/18 £'000
Note		
Property, Plant and Equipment	823,578	787,003
Heritage Assets	44,122	55,179
Investment Property	80,983	77,329
Intangible Assets	2,405	2,944
Assets held for Sale	19	203
Long-Term Investments	0	-
Long Term Debtors	3,058	2,675
Joint Venture Investments	360	320
Total Long-Term Assets	954,525	925,653
Short-Term Investments	(14)	8,494
Assets Held for Sale	3,683	2,940
Inventories	1,532	1,314
Short-Term Debtors	50,167	49,736
Cash and Cash Equivalents	1,839	1,287
Total Current Assets	57,206	63,771
Public Finance Initiative Current Obligation	(444)	(413)
Finance Lease Current Obligation	(103)	(99)
Short-Term Borrowing	(71,357)	(16,760)
Short-Term Creditors	(43,264)	(48,985)
Bank Overdraft	(2,011)	(2,662)
Grants Receipts in Advance - Revenue	(122)	(207)
Grants Receipts in Advance - Capital	(4,600)	(6,893)
Total Current Liabilities	(121,901)	(76,019)
Provisions	(6,222)	(2,104)
Long-Term Borrowing	(88,164)	(138,637)
Public Finance Initiative Capital Obligation	(8,812)	(9,256)
Finance Lease Capital Obligation	(213)	(315)
Pensions Liability	(362,545)	(359,320)
Total Long-Term Liabilities	(465,956)	(509,632)
Net Assets	423,874	403,772
Usable Reserves	(87,733)	(81,561)
Unusable Reserves	5 (336,141)	(322,210)
Total Reserves	(423,874)	(403,772)

GROUP CASH FLOW STATEMENT

	2018/19 £'000	Restated 2017/18 £'000
Net Deficit on the provision of services	(27,424)	13,208
Adjust net Deficit on the Provision of Services for Non Cash Movements	60,707	(7,928)
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(9,312)	(5,689)
Net Cash Flows from Operating Activities	23,971	(409)
Investing Activities	(26,214)	(51,913)
Financing Activities	3,445	49,172
Net Increase in Cash and Cash Equivalents	1,202	(3,150)
Cash and Cash Equivalents at Beginning of the Reporting Period	(1,375)	1,775
Cash and Cash Equivalents at End of the Reporting Period	(173)	(1,375)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General

Following a review of the Council and its entities, it was agreed that the Council should produce Group Accounts for the first time for the period 2014/15 due to the materiality of the entities and subsidiary and the relationship with the Council.

In accordance with the Code of Practice where Group Accounts figures are not materially different from those of the Council only accounts, no additional disclosure is required in these notes.

Notes to the Group Financial Statements have therefore only been produced where the figures differ materially from those in the Financial Statements of the Council.

2017/18 accounts have been restated following the available final audited accounts of Tricuro and Bournemouth Development Company. All appropriate statements have been changed.

2. Accounting Policies

Generally, the accounting policies for the Group Accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the Group Accounts:

a. Basis of Identification of the Group Boundary

Group Accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures and excluding intra-group transactions where necessary to eliminate any effect of grossing up on consolidation.

Subsidiary Boundary

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities. Control is usually presumed where the Council owns more than half the voting power of an entity, either directly or through other subsidiaries. However, this is not a defining criterion, the Council can have more than half the voting power but exceptionally not be in control and powers other than voting rights may grant control where the Council has less than half the voting power.

Associate Boundary

An associate is an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, stopping short of control or joint control. It is presumed that holding more than 20% of the voting power of an investee, either directly or indirectly, brings significant influence but this presumption can be rebutted. It is possible for significant influence to be exerted where an investor has less than 20% of the voting power or where another party has majority ownership.

Joint Venture Boundary

Entities established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing control.

Materiality

In accordance with the above policy, our group relationships have been determined as follows:

Five Parks Charity	Subsidiary	Consolidated
Lower Central Gardens Trust	Subsidiary	Consolidated
Russell-Cotes Art Gallery & Museum Charitable Trust	Subsidiary	Consolidated
Bournemouth Building & Maintenance Limited	Subsidiary	Consolidated
Seascope Group Limited	Subsidiary	Consolidated
Seascope South Limited	Subsidiary	Consolidated
Seascope Homes and Property Limited	Subsidiary	Consolidated
The Bournemouth Development Company LLP	Joint Controlled Entity	50% Consolidated
Tricuro	Joint Controlled Entity	25% Equity Method

b. Basis of the Preparation of the Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the 2018/19 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements;
- eliminating intra-group balances and transactions in full.

The Council's proportions of joint controlled entities have been consolidated using the Equity Method.

The Group Accounts incorporate the accounts of the five subsidiaries for the year ended 31 March 2019 and the Council's proportion of the jointly controlled entity's accounts for the year ended 31 March 2019 (based on the audited accounts to 31 December 2018 adjusted by the management account for the first quarter of 2019). The five subsidiaries have prepared their accounts on a non-IFRS basis, the three Charities complying with the Charities Statement of Recommended Practice (SORP) and the two Companies on a FRS102 basis and on consolidation, adjustments have been made where necessary to ensure that there are no material differences compared with IFRS.

3. Subsidiaries

Five Parks Charity

The Five Parks Charity consists of King's Park, Queen's Park, Meyrick Park, Redhill Parks and Seafield Gardens.

The Trust was created under a number of Conveyances and Deeds of Exchange dated 1883 to 1906.

Under the Bournemouth Borough Council Act 1985 s.28 makes provision for the Council to manage and control the parks. This includes the provision of facilities for sports and recreations for the benefit of the public at large.

Lower Central Gardens Trust

The Trust was created in 1873 under an Indenture between Bournemouth Borough Council's predecessor body the Bournemouth Commissioners and Sir George Eliot Meyrick Tapps Gervis.

The day to day control and management of the Lower Central Gardens and hence the charity, was varied by s.29 Bournemouth Borough Council Act 1985. This vested in the Council the general power to use, control and manage the Lower Central Gardens.

Russell-Cotes Art Gallery and Museum Charitable Trust

The Trust was created under Indentures of 1908, 1918 and 1920 between Bournemouth Borough Council's predecessor body the County Borough of Bournemouth Corporation and Sir Merton and Lady Russell-Cotes.

The original Indentures were varied by s.57 Bournemouth Borough Council Act 1985. This requires that the Council manage, regulate, control and deal with the Trust, premises and property by means of a management committee appointed by them in accordance with the Local Government Act 1972.

Bournemouth Building & Maintenance Limited

During 2014/15 the Council established a wholly owned subsidiary company to deliver building works for the Council for HRA and General Fund purposes.

Seascope Group Ltd (formerly known as Bournemouth Council Group Limited)

During 2014/15 the Council created Seascope Group Limited to provide an umbrella structure, allowing other entrepreneurial endeavours to be created as wholly owned subsidiaries within the Group. This enables the Council, as a public body, to work in a commercial environment and so create alternative revenue inflows to the Council to assist the Council's Financial Strategy.

Within the Group there are currently two wholly owned subsidiaries. These are:

Seascope South Limited

A company wholly owned by Seascope Group Limited which has been setup to commercially trade externally to deliver building works across the South Coast.

Seascope Homes and Property Limited

Seascope Homes and Property Limited provides housing solutions through the grant of Assured Shorthold Tenancies (ASTs) to a variety of client groups focusing initially but not exclusively on homeless customers in Bournemouth.

4. Joint Controlled Entities

Tricuro

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

Tricuro has two companies (a care company Tricuro Limited and a 'support function' company Tricuro Support Limited) managed by the same Board.

Tricuro Support Limited holds the contractual relationships with the three commissioning Councils, as well as the property leases and support services agreements with the two providing Councils.

Tricuro Limited employs all the staff and is registered with CQC as the provider, and provides all the care requirements to service users.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2018/19 was £40.3m (the year to 31 March 2018 saw the group turnover £41.4m). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro, the value of this contract was £1.002m for the period to 31 March 2019. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £862k for the period to 31 March 2019. All councils Dorset are involved in Local Government Reorganisation. This change took effect from 1 April 2019 and resulted in Tricuro having two shareholders instead of three. All contracts and agreements have been novated to the new two unitary authorities under the structural change order which are Dorset Council and Bournemouth, Christchurch and Poole Council.

Tricuro has the following main areas of service delivery. All shareholders treat Tricuro as a joint venture in their respective financial statements in 2018/19.

- Residential Care Homes - 6 homes providing residential care for older people, 1 home providing residential and nursing care for older people and 2 homes providing residential care for people with a learning disability.
- Reablement, providing short term support for up to six weeks, enabling people to regain and maximise daily living skills and independence in their own homes and one home providing intermediate care services.
- Day opportunities and other services provide a range of services with identified support needs (older people, dementia, learning disability, mental health, physical disability).

Bournemouth Development Company

The Council is one of two members of a limited liability partnership (“LLP”) trading as The Bournemouth Development Company LLP (BDC). The other member is a private sector construction services business. BDC was set up to undertake development on a number of town centre car parks owned by the Council to assist in achieving social and economic objectives.

When a development is selected to take place, the private sector member funds the upfront design work and submits a planning application. The sums required to fund this work represent the private sector's investment in BDC. Once the development has secured planning permission and is ready to commence the Council will transfer the land or property to the BDC. The land is transferred based on its residual value with the benefit of planning permission, i.e. the gross development value minus the costs and profit. The development will then take place with the private sector partner matching the residual value of the land invested by the Council less the sums spent by the private sector partner undertaking the design and securing the planning permission. The additional funding required to build out the development will then be sourced from third party lenders and/or from the BDC members.

When completed the development is sold, with the proceeds first repaying any third-party debt. Any surplus generated will be available to be distributed between the members.

5. Property, Plant and Equipment

Movement in Balances

For the full analysis of the movements in Balances refer to the tables on pages 98 and 99.

Revaluations

Other land and buildings are re-valued on a five year rolling basis, the proportion of the total of these assets valued over the previous financial years is as follows. Where an asset reaches its revaluation date it is checked to see if there is any major work planned which would affect the valuation. If that is the case the revaluation is postponed until the work has been carried out. The valuations are carried out using officers from the Council's Property Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

Year of Valuation	£'000
Historic cost and awaiting completion of major works	133,527
2014/2015	18,938
2015/2016	17,221
2016/2017	32,600
2017/2018	27,004
2018/2019	594,288
	823,578

5. Property, Plant and Equipment - (Cont'd.)

Property, Plant and Equipment									
Movements in Balances 2018/2019	HRA Assets £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation									
Brought Forward 1 April 2018	316,383	386,740	28,957	187,891	12,717	1,335	2,140	936,165	6,880
Additions	7,558	16,093	3,749	7,949	171	-	3,131	38,651	-
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	14,856	12,690	-	-	-	339	-	27,885	5,120
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	7	(13,007)	-	-	-	-	-	(13,000)	-
Derecognition - Disposals	(2,018)	(460)	(304)	-	-	-	-	(2,782)	-
Derecognition - Other	-	(3,995)	(9,600)	(2,002)	(1,151)	-	-	(16,748)	-
Reclassification - within PPE	(438)	1,536	(141)	-	(6)	(2)	(949)	-	-
Reclassification - outside PPE	-	(217)	-	-	-	62	-	(155)	-
Balance Carried Forward 31 March 2019	336,349	399,381	22,662	193,838	11,731	1,734	4,322	970,017	12,000
Depreciation									
Brought Forward 1 April 2018	(6,379)	(18,197)	(17,723)	(101,810)	(5,054)	-	-	(149,163)	(236)
Depreciation for year	(6,982)	(8,332)	(1,542)	(5,532)	(292)	-	-	(22,680)	(380)
Depreciation Written out to Revaluation Reserve	6,308	5,343	-	-	-	-	-	11,651	236
Depreciation Written out to Surplus / Deficit on Provision of Services	-	2,283	-	-	-	-	-	2,283	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	23	299	-	-	-	-	322	-
Derecognition - Other	-	330	8,576	1,321	912	-	-	11,139	-
Reclassification - within PPE	73	(208)	135	-	0	-	-	0	-
Reclassification - outside PPE	-	8	-	-	-	-	-	8	-
Balance Carried Forward 31 March 2019	(6,980)	(18,750)	(10,255)	(106,021)	(4,434)	-	-	(146,439)	(380)
Balance Sheet Amount 1 April 2018	310,004	368,544	11,235	86,081	7,663	1,335	2,140	787,001	6,644
Balance Sheet Amount 31 March 2019	329,368	380,631	12,407	87,817	7,297	1,734	4,322	823,577	11,620

5. Property, Plant and Equipment - (Cont'd.)

Property, Plant and Equipment									
Movements in Balances 2017/2018	HRA Assets £ 000's	Other Land and Buildings £ 000's	Vehicles Plant and Equipment £ 000's	Infrastructure £ 000's	Community Assets £ 000's	Surplus Assets £ 000's	Assets under Construction £ 000's	Total Property, Plant & Equipment £ 000's	PFI Assets Included in Property, Plant & Equipment £ 000's
Cost or Valuation									
Brought Forward 1 April 2017	309,545	365,107	29,565	180,377	12,487	333	2,232	899,646	7,341
Additions	8,792	16,775	1,528	9,389	360	-	347	37,191	-
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	1,325	18,629	-	-	-	1,031	-	20,985	(461)
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	-	(2,862)	-	-	-	-	-	(2,862)	-
Derecognition - Disposals	(3,277)	(371)	(324)	-	-	-	-	(3,972)	-
Derecognition - Other	-	(7,365)	(1,730)	(1,955)	(23)	-	(106)	(11,179)	-
Reclassification - within PPE	-	360	-	80	(107)	-	(333)	-	-
Reclassification - outside PPE	-	(3,533)	(82)	-	-	(29)	-	(3,644)	-
Balance Carried Forward 31 March 2018	316,385	386,740	28,957	187,891	12,717	1,335	2,140	936,165	6,880
Depreciation									
Brought Forward 1 April 2017	(8,762)	(19,661)	(17,828)	(97,137)	(4,769)	(10)	-	(148,167)	(993)
Depreciation for year	(6,380)	(8,013)	(1,647)	(5,382)	(285)	-	-	(21,708)	(236)
Depreciation Written out to Revaluation Reserve	8,763	9,046	-	-	-	-	-	17,809	-
Depreciation Written out to Surplus / Deficit on Provision of Services	-	65	-	-	-	-	-	65	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	-	-	-	-	10	-	10	993
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	25	295	-	-	1	-	321	-
Derecognition - Other	-	136	1,449	717	-	-	-	2,302	-
Reclassification - within PPE	-	8	-	(8)	-	-	-	-	-
Reclassification - outside PPE	-	197	8	-	-	-	-	205	-
Balance Carried Forward 31 March 2018	(6,379)	(18,197)	(17,723)	(101,810)	(5,054)	1	-	(149,163)	(236)
Balance Sheet Amount 1 April 2017	300,783	345,446	11,737	83,240	7,718	323	2,232	751,480	6,348
Balance Sheet Amount 31 March 2018	310,006	368,543	11,233	86,081	7,663	1,336	2,140	787,002	6,644

6. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Group:

	Civic Regalia £'000	Museum Collection £'000	Total Assets £'000
Balance Carried Forward 31 March 2018	426	54,753	55,179
Balance Carried Forward 31 March 2019	646	43,476	44,1422

There were no additions or disposals past three years.

The valuation is based on insurance values. The assets were last valued during 2018/19.

The museum collection consists of over 35,000 lots including many fine examples of artwork, ephemera and weaponry from across the globe, illustrating the craft and art of Europe and many indigenous people, cultures and religions. Highlights of the collection include - Victorian masterpieces such as 'Venus Verticordia' by D.G. Rossetti, 'Midsummer' by A.J. Moore and 'Aurora Triumphans' by E. de Morgan, furniture from Longwood, Napoleon's house on St. Helena, a display cabinet belonging to Empress Eugenie from her boudoir at the Chateau de Saint-Cloud, weaponry, badges of office and religious icons from Asia, the Middle East and the Orient and the mummified remains of a young boy from Egypt.

Valuation of the collection is determined by its size. It would be impractical to value each individual item, instead external professional valuations are sought for key groups of items and, working closely with the Council's insurance team, an informed estimate of the value of the whole collection is made. Additionally, items are valued whenever they are lent to other museums meaning that the professional valuation is extended beyond the key groups.

Policies and procedures are in place to manage the collection. As part of the Arts Council England Accreditation process these are being reviewed. There is also a conservation priority list for the paintings and significant conservation work as a result of loan requests and the exhibition programme. A dedicated team of trained volunteers keep the displays and historic interiors clean to prevent damage. For the wider collection, there is an offsite facility which, like the museum, is environmentally controlled and securely protected.

Currently about 1,500 lots are on display at the museum, with a further few items on loan to other institutions.

7. Unusable Reserves

	31 March 2019 £'000	Restated 31 March 2018 £'000
Revaluation Reserve	(327,545)	(305,282)
Capital Adjustment Account	(364,562)	(370,400)
Permanent Endowment Fund	(9,710)	(9,112)
Deferred Capital Receipts Reserve	-	(397)
Financial Instrument Adjustment Account	221	255
Pensions Reserve	362,545	359,320
Unequal Pay Back Pay Account	-	-
Accumulated Absences Account	1,087	1,092
Collection Fund Adjustment Account	1,823	2,314
Total Unusable Reserves	(336,141)	(322,210)

8. Intra Group Loans

The Council has made the following loans to its subsidiaries and joint ventures :-

2018/19					
	Seascape South Ltd £'000	BBML £'000	Seascape Group Ltd £'000	BDC £'000	Total £'000
LTI Winter Gardens	-	-	-	3,400	3,400
Working capital loan	75	350	23	-	448
2017/18					
	Seascape South Ltd £'000	BBML £'000	Seascape Group Ltd £'000	BDC £'000	Total £'000
LTI Winter Gardens	-	-	-	3,400	3,400
Working capital loan	100	450	15	-	565

Winter Gardens Loan – The council has lent Bournemouth Development Company Ltd £3.4m in order to purchase land at the Winter Gardens site in Bournemouth. Morgan Sindall the other partner in the partnership has also lent the company £3.4m.

Working Capital Loans

Companies wholly owned by the Council have agreement in place with the subsidiaries to provide working capital loans. The following are the maximum amounts each company can borrow. Interest rates charged on these loans are set based on state aid and EU legislation.

Seascape South Ltd - £1m

BBML Ltd - £1m

Seascape Homes and Property Ltd - £100k

Seascape Group Ltd - £100k



Annual Governance Statement (AGS)

For the Year Ended 31 March 2019

Forward

- 1 Following Local Government Reorganisation (LGR), Bournemouth Borough Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for Bournemouth Borough Council during this period and does not take into account BCP Council arrangements.
- 2 Any relevant significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless they have already been addressed or superseded), together with any issues identified by the other legacy councils of Poole and Christchurch.

Scope of Responsibility

- 3 Bournemouth Borough Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and accounted for, and used economically, efficiently and effectively. Bournemouth Borough Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised.
- 4 In discharging this overall responsibility, Bournemouth Borough Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 5 Bournemouth Borough Council adopted a Local Code of Governance which was consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 6 The Annual Governance Statement explains how Bournemouth Borough Council complied with the Code and met the requirements of regulation 6 (1 & 2) and 10 (1) of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

The Purpose of the Governance Framework

- 7 The governance framework was comprised of the systems and processes, culture and values by which the authority was directed and controlled and activities through which it accounted to, engaged with and led its communities. It enabled the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 8 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It could not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and

objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.

- 9 The governance framework was in place at Bournemouth Borough Council for the year ended 31 March 2019.

The Governance Framework

- 10 The Local Code of Governance described the Council's governance framework in relation to the six core principles of good governance as set out by the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 11 The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements was set out in the Council's Constitution. The Service Director, Strategic Finance was designated as the Council's CFO. The Council's financial management arrangements conformed to the governance requirements of the CIPFA *Statement of the Role of the Chief Financial Officer in Local Government* (2010). The Council's assurance arrangements also conformed to the governance requirements of the CIPFA *Statement on the Role of the Head of Internal Audit* (2010). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit.

Review of Effectiveness

- 12 Bournemouth Borough Council had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness was informed by the work of the executive managers within the authority who had responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's Annual Report and Opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- 13 The process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2018/19 financial year included the following:
- a The Council reviewed its internal management processes regularly, and any changes or updates were communicated through staff development sessions and any management training that was undertaken.
 - b The Cabinet was responsible for the majority of the functions of the Council within the budget and policy framework set by Full Council. Executive decisions could be taken by the Cabinet and Cabinet Members acting under delegated powers, depending upon the significance of the decision being made.
 - c The Audit and Governance Committee was independent of the Council's Executive and was responsible for overseeing internal and external audit, risk management processes and reviewing the adequacy of internal controls.
 - d The Overview and Scrutiny Management Panel did not have any decision making powers, but conducted reviews and held enquiries and, where it considers it appropriate, the Panel reviewed the decisions of the Cabinet. The Overview and Scrutiny structure also allowed residents, community groups, local businesses and visitors to have a greater say in Council matters by looking into matters of local concern and making recommendations to Council.
 - e The Standards Committee was established by Full Council and was responsible for promoting and maintaining high standards of conduct amongst Councillors.
 - f The Chief Financial Officer was harged with ensuring, amongst other things, that there was effective stewardship and probity in the use of resources.
 - g The Monitoring Officer had a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose.

- h The Council reached a good level of performance against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption'. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks.
- i The Internal Audit Service provided an independent appraisal function, which delivered management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions and systems.
- 14 In addition, a full year end assessment of the effectiveness of the governance arrangements at both the Service Unit and Corporate level has been undertaken. The findings from these assessments, together with an assessment of the findings from external audit and inspection reports, and the Chief Internal Auditor's Annual Report and Opinion, have been used to inform the assessment of governance issues for the Council.
- 15 The result of the review of the governance framework has confirmed that the arrangements continued to be fit for purpose and in accordance with the governance framework.
- 16 While overall governance arrangements were considered sound, **two** significant governance issues were identified for inclusion. These were Information Governance, brought forward from 2017/18, and the Ofsted Inspection of Children's Services, which is a new addition for 2018/19:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan
Ofsted – Inspection of Children's Social Services	The outcome of the Bournemouth Ofsted inspection of Children's Social Services in July 2018 was inadequate / requires improvement, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children's Services Overview & Scrutiny Panel.	The BCP Corporate Director (Children's Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these. More details will be included in the BCP Action Plan

- 17 Information Governance and Children's Services will therefore be incorporated into a BCP Action Plan, along with any relevant issues from legacy Poole and Christchurch councils.

We propose over the coming year to take steps as set out in BCP AGS Action Plan to address the matters above and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the annual review for BCP Council 2019/20.

G Farrant - Chief Executive of BCP Council

Date

V Slade - Leader of BCP Council

Date

Independent auditor's report to the members of Bournemouth Christchurch and Poole Council in respect Bournemouth Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bournemouth Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's 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 2018/19; 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 group and 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.

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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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 4 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 4, the Authority ceased to exist on 31 March 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority's services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group 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 group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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, the Narrative Report and the Annual Governance Statement 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Bournemouth Borough Council is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 Bournemouth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Bournemouth, Christchurch and Poole Council, as a body, in respect of Bournemouth Borough Council 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 members of Bournemouth, Christchurch and Poole Council, those matters we are required to state to them in an auditor's report in respect of Bournemouth Borough Council and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bournemouth, Christchurch and Poole Council and the members of Bournemouth, Christchurch and Poole Council as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

GLOSSARY

Accruals

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

Borrow to Invest Schemes

The scheme allows Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

Capital Expenditure

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

Capital Receipt

The proceeds from the sale of a fixed asset. A proportion of capital receipts relating to the sale of council dwellings is payable to the National Pool the remainder of capital receipts are available to finance capital expenditure.

Charging Authority

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and business rates (NDR).

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Council Tax

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

Creditors

Amounts owed by the Council 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 which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

Debtors

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

Deferred Capital Receipts

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Fixed Assets

Tangible assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

General Fund

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

Government Grants

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

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by Councils and subsidised by Central Government.

Housing Revenue Account

A separate account from the General Fund recording all the transactions relating to the provision of housing accommodation by the Council.

Infrastructure Assets

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

Minimum Revenue Provision (MRP)

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

Non-Domestic Rates (NDR)

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council and then passed to Central Government who reallocate the proceeds to all Councils.

Non-Operational Assets

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The amount which a Precepting Authority requires from a Charging Council to meet its expenditure requirements, requiring the Charging Council to collect income from council tax payers on their behalf.

Precepting Authority

Local Authorities, including fire and rescue and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Councils.

Projected Unit Method

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

Private Finance Initiative (PFI)

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The Council does not own the asset, for example, the Bournemouth Library, but pays the PFI contractor payments over the period of the contracts for the use of the facilities under the contract period.

Provisions

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

Public Works Loan Board (PWLB)

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

Related Party Transaction

This 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 providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Budget Comparison

This statement reports the actual expenditure and income of the services for which the Council is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Council's functions.

Revenue Expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Support Grant (RSG)

A general Central Government Grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

Stocks

Items of raw materials and stores purchased by the Council to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

Temporary Borrowing/Investment

Money borrowed or invested for an initial period of less than one year.

Work in Progress

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.

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CHRISTCHURCH BOROUGH COUNCIL

STATEMENT OF ACCOUNTS - YEAR ENDED 31 MARCH 2019

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Narrative Report

Narrative Report

1. LOCAL GOVERNMENT REORGANISATION IN DORSET

Following parliamentary approval the Secretary of State for the Ministry of Housing, Communities and Local Government decided to implement a locally-led proposal to replace the existing nine councils across Dorset – two small unitary councils of Bournemouth and Poole and the two tier structure of Dorset County Council and the district councils of Christchurch, East Dorset, North Dorset, Purbeck, West Dorset, and Weymouth & Portland - with two new councils from 1 April 2019.

This meant that 2018/19 was the final year for this Council. Despite this, there is a recognition that the Council has been innovative in its ideas and approach, especially with regard to its economic development activities as a means of promoting overall prosperity, thriving communities and housing to meet the needs of the future. At a time when many Councils are under pressure to deliver less, working together with East Dorset District Council, the Council has maintained services and where possible aimed to deliver more for its community.

The 2016-2020 Corporate Plan will now not be seen through to its conclusion, however, in the last year of the Council it still represented the ambitions and commitments of Christchurch Borough Council and East Dorset District Council. Whilst plans for the creation of two new councils in Dorset were underway the themes remained the focus of the Council in 2018/19.

The plan comprised 5 themes which articulated the Partnership's priorities for 2018/19:

(a) Growth and Economy

Local councils have an important role to play in delivering economic growth by providing an environment which supports business, both existing and those starting up, and promotes the area as a good place to do business. We continued to develop our Growth Plan to positively influence the local economy.

(b) Access to Housing

Housing is not just an end in itself, it is important in supporting a thriving mixed community. We made sure that we continued to explore opportunities to deliver new homes in the area as well as ensuring that significant numbers meet affordability criteria. We also invested in making more temporary accommodation available so that we lessen reliance on bed and breakfast accommodation.

(c) Effective Council

Despite the ongoing decline in central government funding, the Council has found ways to deliver services effectively and innovatively in partnership with others. We continued to maintain our already strong financial performance and, where possible, looked for other funding opportunities.

(d) Safe and Healthy Communities

To ensure our communities continue to thrive we encouraged our residents to maintain or adopt healthy lifestyles as well as enable them to feel safe. We delivered programmes which contribute to wellbeing and will work with partners to maintain the low levels of crime and antisocial behaviour we currently have.

(e) Managing Our Environment

We live in an area characterised by natural beauty and diversity, and we need to ensure that the decisions we make today will not have an adverse effect on future generations. We continued to maintain and promote our coastline and open spaces and ensured that development takes into account environmental constraints. We also worked with partners to efficiently manage waste and recycling.

The outcome of focussing on these in the last year continued to develop strong, successful and sustainable communities in Christchurch and East Dorset. Places where people can be optimistic about their future and where they can have fulfilling lives whilst enjoying the fantastic surroundings in which they are lucky enough to live.

The Management Structure of the Council

Supporting the work of the Elected Members of the Council in delivering the corporate aims is the organisational structure of officers headed by the Chief Executive and the Corporate Team. The Corporate Team consists of the Chief Executive, three Directors and two Heads of Service.

2. NATIONAL AND LOCAL ECONOMIC PICTURE

Christchurch Borough Council continued to operate in a challenging financial environment. Recent changes to Local Government funding streams mean that councils are subject to significant financial risks relating to business rate income and the cost of local Council Tax schemes. In addition there are wider economic challenges facing Local Government relating to the increasing costs of providing some services, reductions in investment income and reductions in Revenue Support Grant due to the Government's deficit reduction programme.

To date this Council has responded well to the financial challenges it has faced. Service delivery has been maintained and the Council's financial position strengthened through a flexible and prudent approach that combines a strategy on Council Tax, savings from Partnership working, and thorough budget reviews that scrutinise both costs and income.

A product of this strategy is that a revenue surplus has been achieved over the last few years due to the effect of front-loaded revenue savings creating headroom in the budget. These surpluses have enabled the Council to increase its level of reserves to invest in corporate priorities or address financial risks.

In respect of the new Bournemouth Christchurch and Poole Council it is clear that it will be required to operate in an ongoing challenging financial environment.

Nationally a Council's funding is significantly influenced by the Government's cyclical spending reviews which set out the resources they will allocate to the various Government Departments. Within those broad allocations amounts awarded to individual authorities were previously set out in a four year Local Government Finance Settlement with 2019/20 being the final year. These result in an extremely high level of uncertainty associated with the council's financial planning framework. The Government have announced that the 2019 Spending Review (SR19) will be concluded alongside the 2019 Budget. In all probability this means that it will not be until late October that we begin to see the shape of the resources being made available to local government for 2020/21. In addition the actual Local Government Finance Settlement is not likely to be published before December 2019. Consequently it is unlikely that BCP Council will have any

certainty on a major section of its financial planning framework until between nine and ten weeks before it is required to approve its 2020/21 Budget.

This level of uncertainty is increased as the formulae used for allocating resources from national to local government is being fundamentally reviewed via what is referred to as a "Fair Funding Review". Alongside this the government is considering allowing councils to retain a greater share of their business rates with the expectation that they directly fund more services.

3. FINANCIAL PERFORMANCE 2018/19

The in-year revenue surplus for the 2018/19 financial year was £562k, which represents 1.8% of the Council's £30,713k gross expenditure budget.

The net revenue surplus related, in the main, to:

- Additional car parking income £138k;
- Additional open spaces income £128k;
- Savings from support services salaries £108k;
- Increased income retained from business rates £95k;
- Increased investment income £55k.

The Capital and Revenue Outturn Report 2018/19 reported to Councillors a year end surplus of £562k which differs from the position reported in the financial statements due to generally accepted accounting practice and the rules to which the financial statements must be prepared. The table below reconciles the figures reported to Cabinet with the net expenditure chargeable to the General fund as set out in Note 2 to the Core Financial Statements.

Christchurch Borough Council Statement of Accounts 2018/19 - Audited

	Budget	Net Expenditure Chargeable To Gen Fund	Add Depreciation	Adjust Reserve Movement	Investment Property / Finance Lease	Reported To Cabinet 12 June 2019	Budget Variance
Service Area	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Growth & Economy	783	965	3	(95)	(51)	822	39
Housing & Health	1,446	1,336	92	45	0	1,473	27
Finance	1,695	1,789	204	(548)	6	1,451	(244)
Community & Leisure	1,967	1,498	1,027	(62)	(384)	2,079	112
Organisational Development	42	29	0	0	0	29	(13)
Legal & Democratic	755	856	13	(118)	0	751	(4)
Property & Engineering	(45)	(320)	339	(162)	(175)	(318)	(273)
Service Expenditure	6,643	6,153	1,678	(940)	(604)	6,287	(356)
Investment Income	(38)	(152)	0	0	59	(93)	(55)
Depreciation Adjustment	(1,610)	0	(1,678)	0	0	(1,678)	(68)
Headroom Cont. To Reserves	487	0	0	487	0	487	0
Net Contribution To Reserves (Inc. Pension Deficit Cont. and Surplus For Year)	847	0	0	889	(8)	881	34
Net Expenditure	6,329	6,001	0	436	(553)	5,884	(445)
Parish Council Precepts	27	27	0	0	0	27	0
Business Rate Income	(2,285)	(1,603)	0	(777)	0	(2,380)	(95)
General Government Grants (Inc. Revenue Support Grant)	0	(1,188)	0	1,166	0	(22)	(22)
Rentals Received on Investment Properties	0	(730)	0	0	730	0	0
Expenses Incurred on Investment Properties	0	200	0	0	(200)	0	0
Minimum Revenue Provision	0	54	0	(54)	0	0	0
Transfer Deferred Cap Receipt	0	(23)	0	0	23	0	0
Capital Expenditure Charged To General Fund	0	1,332	0	(1,332)	0	0	0
Council Tax	(4,071)	(4,071)	0	0	0	(4,071)	0
Internal Reporting (Surplus) / Deficit For Year	0	(1)	0	(561)	0	(562)	(562)

The adjustments are required for the following reasons:

- Depreciation - The Council budgets include depreciation but this is not chargeable to the General Fund (£1,678k).

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- Adjust Reserve Movement - The Council does not include revenue and capital transactions funded from reserves in its revenue budget as they do not impact upon Council Tax, while they are included in the Net Expenditure Chargeable To The General Fund. The following adjustments are therefore necessary to remove reserve transactions included in the Financial Statements. The internal budgeting outturn figure of £562k surplus is also adjusted for so that it is visible for reporting purposes:

Adjustments	Amount £000's	Amount £000's
Adjustments To Service Expenditure:		
Remove Asset Maintenance Costs Funded Reserves	(278)	
Remove Pension Fund Deficit Payment Funded Reserves	(260)	
Remove Net Expenditure Within Services Credited To Reserves	(402)	
Net Adjustment To Service Expenditure		(940)
Adjustments To Reserve Contributions:		
Remove Asset Maintenance Costs Funded Reserves	278	
Remove Net Expenditure Within Services Credited To Reserves	402	
Remove New Homes Bonus Grant Contribution	(389)	
Remove Capital Expenditure Financed Reserve	1,332	
MRP Funded From Reserves	54	
Remove Contribution Relating To Budget Outturn Position 2018/19	(561)	
Remove Pension Fund Deficit Payment Funded Reserves	260	
Net Adjustment To Reserve Contributions		1,376
Adjustments To Minimum Revenue Provision		
MRP Funded From Reserves	(54)	
Total Adjustments To Minimum Revenue Provision		(54)
Adjustments To Business Rate Income:		
Add S31 Grant Included Under General Government Grants	(777)	
Total Adjustments To Business Rate Income:		(777)
Adjustments To Business Rate General Government Grants:		
Remove S31 Grant Included Under General Government Grants	777	
Remove New Homes Bonus Grant Contribution	389	
Total Adjustments To Government Grants		1,166
Adjustments To Capital Expenditure Charged To General Fund:		
Remove Capital Expenditure Charged To General Fund	(1,332)	
Total Adjustments To Cap Exp Charged To General Fund:		(1,332)
Net Reserve Adjustments		(561)

- Investment Property/Finance Lease Adjustment – the net credit to services of £604k is made up from the following items:

Adjustments	Amount £000's
Credit Investment Property Income Back To Services	(845)
Debit Investment Property Expenditure Back To Services	200
Debit Net Finance Lease Cost Back To Services	33
North Dorset Pension Income Taken To Reserves	8
Total Adjustment	(604)

Capital

As at 31 March 2019 the Council had remaining capital commitments of £5,196k. The capital programme is fully funded. The programme for 2018/19 totalled £7,709k but only £3,966k was actually spent. Slippage of £3,754k is carried forward into the next financial year of the new Unitary Council's Capital Programme, a significant proportion of which relates to asset maintenance, the legacy play project and housing.

Useable Reserves

The Council maintained a strong reserves position, comprising earmarked and un-earmarked reserves. These reserves were £9,878k as at 31 March 2019, not including capital receipts and capital grants.

The Council had £2,175k of unallocated reserves as at 31 March 2019.

Value for Money

The Council has been ambitious to grow and sustain the economy of the area, and to translate that growth into better lives for residents. Achieving this vision, against an increasingly difficult financial and economic backdrop, meant that even greater emphasis was placed on changing the way we work to deliver better services and improve value for money. This meant redesigning services to make better use of resources: in essence, 'doing more with less'. The Council had a strong financial standing and a good track record of achieving savings through adopting more efficient ways of providing our services whilst maintaining prudent levels of reserves and maintaining low council tax increases. We had in place a clear framework for decision making. We aimed to maximise resources available and put in place robust processes to ensure that value for money was continually challenged, both in terms of day-to-day service delivery, and broader transformation plans.

4. PERFORMANCE MANAGEMENT

Performance Monitoring

The Partnership has been committed to maintaining and where possible improving the services it delivers and positive outcomes for residents. Progress was measured against corporate plan objectives and also against national and local performance indicators.

The progress made against the Council's Performance indicators were reported to the Joint Audit Committee on a quarterly basis. Where the Joint Audit Committee assesses performance against key areas to be less than the standard expected, then further investigation or remedial action will be required.

People

The Council's workforce has been our most important resource. The key to the delivery of the Council's ambitions is an adaptable, skilled and highly motivated workforce, working flexibly to meet the requirements of our customers and the needs of the business.

In order to meet financial, technological and political pressures for change while maintaining service delivery, the Council implemented a new way of working called Smarter Working. This aims to give staff the tools and technology to enable them to work flexibly from a variety of fit-for-purpose locations in order to meet the needs of customers, achieve financial efficiencies and maintain a good work-life balance.

5. THE STATEMENT OF ACCOUNTS

This document sets out the accounts for the year 2018/19. Although the financial position is regularly monitored and reviewed throughout the year the Statement of Accounts brings together the financial results of all the Council's operations for the whole of the financial year 2018/19.

The accounts have been divided into six sections as detailed below:

Section 1: Statement of Responsibilities. This identifies the roles of the Council and the Responsible Financial Officer and follows this Narrative Report.

Section 2: Core Financial Statements. This section shows the main accounting statements and is made up of:

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different to the accounting cost. The taxation position is shown in both the Expenditure & Funding Analysis and the Movement in Reserves Statement.

The deficit on the provision of services in the Comprehensive Income and Expenditure Statement is £2,531k.

The Comprehensive Income and Expenditure Statement (CIES) is compiled in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK.

The Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The surplus/(deficit) on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.

The net increase/decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences, shown in the Movement in Reserves Statement line “*Adjustments between accounting basis and funding basis under regulations*”.

The Cash Flow Statement

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

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Section 3: The Notes to the Core Financial Statements. The Statement of Accounting Policies explains the basis of the figures used in these accounts and is followed by the Notes to the Core Financial Statements, which provide further details and explanations of the figures making up the core financial statements.

Section 4: The Collection Fund. In this statement billing authorities record the transactions relating to Council Tax and Business Rates.

Section 5: The Annual Governance Statement. This describes the corporate governance of the Council and any known weaknesses in corporate governance.

Section 6: Glossary. The accounts include some technical terms which are explained in the Glossary.

6. MATERIAL ASSETS ACQUIRED AND LIABILITIES INCURRED

There have been no material assets acquired and liabilities incurred.

7. MATERIAL CHARGES AND CREDITS

As part of the regular review of valuations property, plant and equipment was revalued downwards by £499k.

8. SIGNIFICANT CONTINGENCIES, PROVISIONS AND WRITE OFFS

There were no significant contingencies, provisions or write offs.

9. PENSIONS

The Pension Fund deficit has decreased by £222k during the year. This was largely due to the performance of assets during the year. The disclosed Pension Fund deficit of £27,264k includes £436k of increased liability based on the Actuary’s assessment of the potential cost of the McCloud judgement on the Local Government Pension

Scheme. Full disclosure relating to the Council's Pension Fund can be found in Note 29.

10. CHANGES TO ACCOUNTING POLICIES

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

11. CHANGES TO STATUTORY FUNCTIONS

There were no changes to statutory functions which had a significant impact on the accounts.

12. POST BALANCE SHEET EVENTS

There are no events after the balance sheet date that require disclosure within the Statement of Accounts.

13. FURTHER INFORMATION

Further information about the accounts is available from Financial Services, Bournemouth, Christchurch and Poole Council, Town Hall, Bourne Avenue, Bournemouth, BH2 6DY. It is the Council's policy to provide full information to the public about its affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The Council's accounts for the year ended 31 March 2019 will be placed on deposit from the 3rd June to the 12th July 2019 at the Civic Offices, Bridge Street, Christchurch, Dorset, BH23 1AZ. People who are entitled to vote in the local Council elections may ask the auditor questions about the accounts within the period that the accounts are on deposit. Further details are provided on the Council's website www.bcpccouncil.gov.uk.

Adam Richens FCCA CPFA
Chief Finance Officer and Director of Finance
Bournemouth, Christchurch and Poole Council
31 July 2019

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 has the responsibility for the administration of those affairs: in this Council, that officer is the Chief Finance Officer.*
- *manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;*
- *approve the Statement of Accounts.*

I confirm that these accounts were approved by the Audit and Governance Committee as Council minute XX.

Cllr XX

Chairman of the AUDIT AND GOVERNANCE COMMITTEE

The Chief Finance Officer's Responsibilities

The Chief Finance Officer, as the Responsible Financial 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;*
- *complied with the Code.*

The Chief Finance Officer has also:

- *kept proper accounting records which are up to date;*
- *taken reasonable steps for the prevention and detection of fraud and other irregularities;*
- *ensured that a proper system of internal control is in place;*
- *provided all accounting records to the Council's auditors and ensured that all transactions undertaken by the Council have been properly reflected and recorded in the accounting records;*
- *provided and made available proper and full information to the Council's auditors.*

The Chief Finance Officer also confirms that:

- *there are no other contingent liabilities other than those that have been properly disclosed and recorded in the financial statements;*
- *there is no significant pending or threatened litigation other than that already disclosed in the financial statements;*

- *there are no material commitments or contractual issues other than those already disclosed in the financial statements;*
- *there are no other material transactions with related parties, other than those which have been properly recorded and disclosed in the financial statements;*
- *there are no other material transactions relating to losses, financial statements, third party assets and other commitments other than those disclosed in the financial statements;*
- *there are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finance or operation of the Council;*
- *the assets of the Council have not been used as security for loans;*
- *the Council has no plans or intentions that materially affect the existing valuation or classification of assets and liabilities.*

I certify, that I have complied with my responsibilities as set out above and that the accounts present a true and fair view of the financial position of the Council at the accounting date of 31 March 2019, and its income and expenditure, total recognised gains and losses and cash flows for the financial year then ended.

Adam Richens FCCA CPFA
Chief Finance Officer and Director of Finance
Bournemouth, Christchurch and Poole Council
31 July 2019

**The Core
Financial Statements**

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £000's	2017/18 Gross Income £000's	2017/18 Net Expenditure £000's		2018/19 Gross Expenditure £000's	2018/19 Gross Income £000's	2018/19 Net Expenditure £000's	Notes
			Service Expenditure:				
1,724	531	1,193	Growth & Economy	1,565	511	1,054	
1,995	588	1,407	Housing & Health	2,380	813	1,567	
17,071	15,222	1,849	Finance	15,703	13,445	2,258	
5,889	3,006	2,883	Community & Leisure	5,949	3,160	2,789	
27	10	17	Organisational Development	38	9	29	
1,018	238	780	Legal & Democratic	874	1	873	
3,134	3,029	105	Property & Engineering	3,222	3,111	111	
30,858	22,624	8,234	Cost of Services	29,731	21,050	8,681	2
			Other Operating Expenditure:				
0	1	(1)	(Gain)/Loss on the Disposal of Non-Current Assets	2,398	0	2,398	
26	0	26	Parish & Town Council Precepts	27	0	27	
0	0	0	Payment of Housing Capital Receipt to Govt. Pool	0	0	0	
0	0	0	Net Direct Services' Section Surplus/Deficit	0	0	0	
26	1	25		2,425	0	2,425	
			Financing & Investment Income and Expenditure:				
2	126	(124)	Interest & Investment Income	0	152	(152)	
754	0	754	Net Interest on the Net Defined Benefit Liability	686	0	686	29
0	1	(1)	Changes in Fair Value of Investment Properties	0	418	(418)	20
0	632	(632)	Rentals received on Investment Properties	0	730	(730)	
175	0	175	Expenses Incurred on Investment Properties	200	0	200	
931	759	172		886	1,300	(414)	
			Taxation and Non-Specific Grant Income:				
0	3,902	(3,902)	Council Taxpayers	0	4,071	(4,071)	
0	1,407	(1,407)	Non-Domestic Rate Income	0	1,242	(1,242)	
0	1,370	(1,370)	General Government Grants	0	1,188	(1,188)	5
0	996	(996)	Capital Grants & Contributions	0	1,660	(1,660)	5
0	7,675	(7,675)		0	8,161	(8,161)	
31,815	31,059	756	(Surplus)/Deficit on Provision of Services	33,042	30,511	2,531	

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2017/18 Net Expenditure £000's		2018/19 Gross Expenditure £000's	2018/19 Gross Income £000's	2018/19 Net Expenditure £000's	Note
756	(Surplus)/Deficit on Provision of Services	33,042	30,511	2,531	
	Other Comprehensive Income & Expenditure:				
(3,190)	(Surplus)/Deficit on the revaluation of non-current assets			499	25
	Impairment losses charged to the Revaluation Reserve				
(2,442)	Re-measurement of the Net Defined Pension Liability			(1,702)	29
4	Other comprehensive income and expenditure			0	
(5,628)	TOTAL OTHER COMPREHENSIVE (INCOME) & EXPENDITURE			(1,203)	
(4,872)	TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE			1,328	

Movement in Reserves Statement

	Un- earmarked General Fund	Earmarked Reserves General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Balance at 31 March 2017	970	8,653	9,623	1,332	763	11,718	42,528	54,246	
Surplus/(Deficit) on the provision of services (accounting basis)	(756)	0	(756)	0	0	(756)	0	(756)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	5,628	5,628	
Total Comprehensive Income & Expenditure	(756)	0	(756)	0	0	(756)	5,628	4,872	
Adjustments between accounting basis and funding basis under regulations	1,010	0	1,010	(246)	25	789	(789)	0	10
Net Increase/(Decrease) before transfers to earmarked reserves	254	0	254	(246)	25	33	4,839	4,872	
Transfers (to)/from earmarked reserves	(253)	253	0	0	0	0	0	0	27
Increase/ (Decrease) in year	1	253	254	(246)	25	33	4,839	4,872	
Balance at 31 March 2018	971	8,906	9,877	1,086	788	11,751	47,367	59,118	
Surplus/(Deficit) on the provision of services (accounting basis)	(2,531)	0	(2,531)	0	0	(2,531)	0	(2,531)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	1,203	1,203	
Total Comprehensive Income & Expenditure	(2,531)	0	(2,531)	0	0	(2,531)	1,203	(1,328)	
Adjustments between accounting basis and funding basis under regulations	2,532	0	2,532	(1,050)	310	1,792	(1,792)	0	10
Net Increase/(Decrease) before transfers to earmarked reserves	1	0	1	(1,050)	310	(739)	(589)	(1,328)	
Transfers (to)/from earmarked reserves	(1)	1	0	0	0	0	0	0	27
Increase/ (Decrease) in year	0	1	1	(1,050)	310	(739)	(589)	(1,328)	
Balance at 31 March 2019	971	8,907	9,878	36	1,098	11,012	46,778	57,790	

Balance Sheet

31 March 2018		31 March 2019	Note
£000's		£000's	£000's
	Non-Current Assets		
59,844	Property, Plant & Equipment:	60,469	13
256	Heritage Assets	252	19
12,979	Investment Property	11,827	20
151	Intangible Fixed Assets	77	11
0	Assets Held for Sale	0	21
1,153	Long-Term Debtors	1,110	32
74,383	Total Long-Term Assets	73,735	
	Current Assets		
1,000	Short Term Investments	0	36
53	Inventories & Work in Progress	60	
2,692	Short Term Debtors	3,708	32
13,840	Cash & Cash Equivalents	13,411	33
0	Assets Held for Sale	155	21
17,585	Total Current Assets	17,334	
91,968	Total Assets	91,069	
	Current Liabilities		
0	Bank Overdraft	0	
0	Short Term Borrowing	0	
(4,865)	Short Term Creditors	(5,496)	34
(498)	Provisions	(517)	31
0	Capital Grants Received In Advance	0	26
(5,363)	Total Current Liabilities	(6,013)	
86,605	Total Assets less Current Liabilities	85,056	
	Long Term Liabilities		
0	Long Term Creditors	0	
0	Long Term Borrowing	0	
0	Capital Grants Received In Advance	0	
(27,486)	Pensions Asset/(Liability)	(27,264)	29
(27,486)	Total Long Term Liabilities	(27,264)	
59,119	Net Assets	57,792	
	Usable Reserves		
	Fund Balances & Reserves		
8,907	- Earmarked Reserves	8,908	27
971	- General Fund Balance	971	27
1,086	Capital Receipts Reserve	36	26
788	Capital Grants Unapplied	1,099	26
11,752		11,014	
	Unusable Reserves		
36,019	Capital Adjustment Account	37,006	24
37,156	Revaluation Reserve	35,775	25
(27,486)	Pensions Reserve	(27,264)	29
1,096	Deferred Capital Receipts	1,040	39
636	Collection Fund Adjustment Account	275	37
(54)	Accumulated Absences Account	(54)	30
59,119	Total Reserves	57,792	

The Audited accounts were issued on 31 July 2019

Cash Flow Statement

2017/18 £000's		2018/19 £000's	Note
6,405	Cash & Cash Equivalents at 1 April	13,840	33
OPERATING ACTIVITIES			
(756)	Surplus/(Deficit) on the Provision of Services	(2,531)	
	Adjustments for non-cash movements:		
1,825	• Depreciation	1,678	
0	• Impairment of assets and downward valuation	0	
(562)	• Increase/(decrease) in creditors	946	
(250)	• (Increase)/decrease in debtors	(1,016)	
6	• (Increase)/decrease in interest debtors	6	
(2)	• (Increase)/decrease in inventories	(7)	
1,477	• Pension liability	1,480	
(217)	• Contribution to/(from) provisions	19	
0	• Carrying amount of non-current assets sold	2,399	
0	• Movement in Investment Property Values	(418)	
2,277	Total adjustments for non-cash movements	5,087	
	Adjustments for items that are investing or financing activities:		
(996)	• Capital grants credited to surplus on provision of services	(1,660)	
0	• Net adjustment from the sale of short and long term investment	0	
(1)	• Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1)	
(126)	• Interest received	(152)	
2	• Interest paid	0	
(1,121)	Total adjustments for investing and financing items	(1,813)	
400	Net Cash (Outflow)/Inflow from Operating Activities	743	
INVESTING ACTIVITIES			
Cash Outflows			
(2,015)	Purchase of non-current assets	(3,709)	
(1,000)	Purchase of short term investments	0	
(6)	Other payments for investing activities	(13)	
Cash Inflows			
60	Proceeds from sale of non-current assets	57	
996	Capital grants received	1,660	
8,126	Proceeds from short term and long term investments	1,152	
0	Other Capital Cash Receipts	0	
2	Other receipts from investing activities	0	
6,163	Net Cash (Outflow)/Inflow from Investing Activities	(853)	
FINANCING ACTIVITIES			
Cash Outflows			
0	Repayments of short term borrowing	0	
0	Payments for the reduction in the finance lease liability	0	
0	Interest paid for finance leases	0	
0	Other receipts from financing activities	0	
Cash Inflows			
872	Council Tax and National Non Domestic Rate adjustments	(315)	
0	Other Cash Inflows From Financing activities	(4)	
872	Net Cash (Outflow)/Inflow from Financing Activities	(319)	
7,435	Net Increase/(Decrease) in Cash & Cash Equivalents	(429)	
13,840	Cash & Cash Equivalents at 31 March	13,411	33

**Notes to the
Core Financial Statements**

Statement of Accounting Policies

1. GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year 2018/19 and its position at 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (the Code) issued by CIPFA, supported by International Financial Reporting Standards (IFRS). The guidance notes issued by CIPFA on the application of accounting standards have also been followed unless otherwise stated.

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

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

The Council will cease to exist from 1 April 2019 and its services will transfer to a new authority, Bournemouth, Christchurch and Poole Council. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis. Therefore the accounts have been prepared on a going concern basis.

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

2. CHANGES TO ACCOUNTING POLICIES

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

3. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. They are retrospective and so require the comparative figures for the previous accounting period to be restated.

Details of prior period adjustments made are disclosed in Note 1 to the Financial Statements.

4. PRIOR PERIOD ERRORS

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

5. JUDGEMENTS MADE BY MANAGEMENT

In applying these accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Where an item of Property, Plant or Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. When considering the componentisation of assets, a de-minimis level of £300,000 has been applied. Assets whose value, not including land, are below this level are not considered for componentisation on the grounds of materiality. When considering assets that are above the de-minimis level for componentisation, the Council defines components that are 20% or more of the total value of the asset as significant components.

6. CHANGES TO ACCOUNTING ESTIMATES

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.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below.

Pension Fund estimates are based on the latest actuarial valuation of the Dorset County Council pension fund completed as at 31 March 2016 and updated to 31 March 2019 by a qualified independent actuary, Barnett Waddingham LLP. Their approach is disclosed in more detail in the notes below.

- *Pensions – Liabilities: valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.*
- *Pensions – Roll Forward Approach: In order to assess the value of the employer's liabilities as at 31 March 2019, the actuary has rolled forward*

the value of the employer's liabilities reported as at the latest formal valuation, allowing for the different financial assumptions required under IAS 19. In calculating the asset share, the actuary has rolled forward the assets allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by and in respect of the employer and its employees. It is not possible to assess the accuracy of the estimated liability as at 31 March 2019 without conducting a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results, provided that 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 this approach is appropriate.

- *Pensions – Service Cost: The projected unit method has been used to calculate the service cost.*
- *Pensions – Demographic and Statistical Assumptions: the actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2016. It has also been assumed that in future members will exchange half of their commutable pension for cash at retirement and that members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age. It is assumed that the proportion of the membership that had taken up the option to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.*
- *Pensions – Financial Assumptions: These are set out in Note 29 to the Core Financial Statements.*
- *Pensions – Asset Valuation: The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 5%.*
- *Pensions – Expected Return on Assets: For accounting years beginning after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.*
- *Pensions – Discount Rate: In estimating the Council's future cashflows the actuary has assumed a past service liability duration of 17 years. The estimated cashflows are used to derive a Single Equivalent Discount Rate. The discount rate derived is such that the net present value of notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).*
- *Pensions - RPI & CPI Increase: The RPI increase assumption is set using a Single Equivalent Inflation Rate approach, using notional cashflows as described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point.*

- *As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption that CPI will be 1% per annum below RPI, i.e. 2.45%.*
- *Pensions - Salary Increases: Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale.*

Provisions for bad debts are estimated based on the age of the debt and the likelihood of recovery. The following estimates have been made:

- *At 31 March 2019 the Council had a balance of £1,623,085 in unpaid sundry debts (£1,352,429 31 March 2018). A review of these debts suggested that an impairment of £329,027 was appropriate (£236,541 31 March 2018). If collection rates were to deteriorate then this provision would be insufficient to meet the liability, resulting in a reduction in income in future years*
- *At 31 March 2019 the Council was recovering £1,004,623 in overpaid housing benefit (£1,038,016 31 March 2018). A review of these debts suggested that an impairment of £994,577 was appropriate (£986,115 31 March 2018). If collection rates were to deteriorate then this provision would be insufficient to meet the liability, resulting in a reduction in benefit subsidy*

Housing Benefit Subsidy income has been estimated on the basis of an unaudited draft final claim. The audit may reveal errors in the compilation of the claim which could result in the subsidy being materially increased or reduced.

The Business Rate Retention Scheme has been in operation from 1 April 2013. Previously the Council acted purely as an agent collecting business rates on behalf of Central Government. Now the Council is exposed to risks and rewards associated with growth or decline in the business rate baseline of the Borough. A provision has been set up to cover the cost of current and backdated business rate appeals by rate payers, of which Christchurch Borough Council's share is £418,876 (£400,000 31 March 2018). If total successful appeals exceed this amount it would result in a reduction in business rate income for the Council.

The distribution of the balance relating to Council Tax on the Collection Fund is estimated based on the relative precepts of the authorities paid from the fund.

The distribution of the balance relating to National Non Domestic Rates on the Collection Fund is calculated according to income sharing percentages set by the Government under the Business Rate Retention Scheme.

Fair Value measurements for the Council's Investment Assets cannot be measured based on quoted prices in active markets (Level 1). They are instead measured at Level 2 using experts to identify relevant valuation techniques to determine fair value. Level 2 inputs are those that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. Changes in the assumptions used could affect the fair value of the authority's assets and liabilities. More information on the valuation of Investment Assets using Fair Value can be found in Note 20.

Local Government Reorganisation – Dorset

Legislation has been passed through both Houses of Parliament for the reorganisation of all nine Dorset authorities to allow the creation of two new Unitary authorities, Bournemouth Christchurch & Poole, and Dorset Council to

service the whole of Dorset. Christchurch Borough Council will cease to exist as an entity from the 31 March 2019 and its services and functions, assets and liabilities will transfer to the new Bournemouth Christchurch & Poole Council on 1 April 2019.

8. 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 licenses) 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. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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 are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

9. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Council uses a de-minimis value of £10,000 for property, £1,000 for plant and equipment and £500 for computer equipment, under which assets are not required to be capitalised.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the balance sheet using the following measurement bases:

- *Infrastructure assets and community assets and assets under construction: depreciated historical cost.*
- *Surplus assets: current value at fair value, measured for their economic benefits in accordance with IFRS13. Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.*
- *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 current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. 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 line(s) in the Comprehensive Income and Expenditure Statement

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

Impairment: assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses 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 line(s) in the Comprehensive Income and Expenditure Statement*

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated according to the following policy:

- *Dwellings and other buildings - depreciation is calculated using the straight-line method.*
- *Newly acquired assets are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use.*
- *Vehicles, plant, furniture and equipment – depreciation is calculated using the straight-line method.*
- *Infrastructure – straight-line allocation over 10-25 years depending on the class of asset.*
- *Depreciation periods are disclosed in Note 14 to the Core financial Statements.*

Where an item of Property, Plant or Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Components are judged to be significant if they account for 20% or more of the value of the asset. Assets valued below the £300,000 de-minimis (excluding land) set by the Council are not considered for componentisation on the grounds of materiality.

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 their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised 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 Assets Held for Sale) and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be 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 Reserve from the General Fund Balance in the Movement on 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.

10. HERITAGE ASSETS

Heritage assets are a distinct class of asset that are reported separately from property, plant and equipment and from intangible assets. The financial statements are produced in accordance with FRS102, Heritage Assets. Heritage assets can be tangible or intangible assets and are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities and which are held and maintained principally for their contribution to knowledge and culture. The historical, environmental and cultural associations of such assets make their preservation for future generations important. Assets that are not held principally for their contribution to knowledge and culture fall outside the scope of Heritage Assets and instead will be classed as operational assets.

Heritage assets can be classified as either operational or non-operational Heritage Assets. Operational Heritage Assets, in addition to being held for their heritage characteristics, are also used by the authority to provide other services or for other activities. Operational Heritage Assets are required to be valued in the same way as other assets of that general type and are classified in the Balance Sheet as Property, Plant and Equipment.

The Code requires non-operational Heritage Assets to be recognised in the Balance Sheet where information exists on the cost or value of the asset. Where the cost of obtaining information relating to the value of the asset outweighs the benefits of the information to users of the financial statements, the assets are not recognised in the Balance Sheet, although they are disclosed in the Notes to the Financial Statements.

Heritage Assets are normally carried at valuation in the Balance Sheet, except where no market exists and so valuation is not practicable, when historical cost is used, or where no information is available and the cost of obtaining the information is prohibitive. Where valuations are carried out the Code allows them to be made by any method that is appropriate and relevant, with no prescribed period between valuations.

Where the revaluation of heritage assets produces gains or losses, these are accounted for in the same way as property, plant and equipment, with adjustments being made in the Revaluation Reserve where appropriate, as described in Note 9 above.

Depreciation is charged on Heritage Assets that do not have indefinite lives, using the straight line method over the asset's useful life.

Impairment reviews of Heritage Assets are only required where there is evidence of impairment, for example an asset has suffered physical deterioration or breakage. Any relevant impairments are accounted for in the same way as impairments to property, plant and equipment, as described in Note 9 above.

The full disclosures relating to the Council's Heritage Assets can be found in Note 19 to the Financial Statements.

After consideration the Authority has determined that Highcliffe Castle, Place Mill, the Civic Regalia and the Bailey Bridge fall within the classification of Heritage Assets. Bailey Bridge is of de minimus value and therefore is not included in the Balance Sheet.

Highcliffe Castle was previously classified as an Operational Asset. It is now an operational Heritage Asset because as well as its heritage value it is used to generate income from weddings and corporate functions. It is therefore required to be valued at least every five years. It was last valued as at 31 March 2019 on a depreciated replacement cost basis.

Place Mill was last valued as at 31 March 2015 on a depreciated replacement cost basis.

11. INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods held for sale.

Investment properties are measured initially at cost and subsequently at fair value under IFRS 13, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment properties are measured in this way at "highest and best use" for the asset, provided this use is legally and physically possible and financially feasible. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

12. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. These charges are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision).

13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

14. LEASES

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the assets.

The Council as a Lessee

Finance Leases: Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to

writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in property, plant and equipment, which is applied to write down the lease liability; and
- a finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases: Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of the payments.

The Council as a Lessor

Finance Leases: Where the authority grants a lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant, equipment or assets held for sale) is written off to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gains or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on the disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in

the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve (as operating leases the income would have stayed within the General Fund). Government legislation allows the Council to mitigate this loss against the General Fund, providing the leases were in existence at 31st March 2010, by a further entry through the Movement in Reserves Statement posting out of the Capital Receipts Reserve back to the General Fund.

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

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the term of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant assets and charged as an expense over the lease term on the same basis as the rental income.

15. GOVERNMENT GRANTS AND CONTRIBUTIONS AND DONATED ASSETS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and that the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

16. 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:

- *Revenue from goods or the provision of services is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.*
- *Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;*
- *Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;*
- *Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined for the contract;*
- *Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.*
- *Council Tax income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund at the year end. This amount is then adjusted for the Authority's share of the surplus/deficit from the previous year that has not been distributed or recovered in the current year. The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be charged to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.*
- *Non Domestic Rate income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund at the year end. This amount is then adjusted for the Authority's share of the surplus/deficit from the previous year that has not been distributed or recovered in the current year. The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be charged to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.*

17. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

18. RESERVES

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 appropriate service in that year to score 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 Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement and employee benefits and do not represent usable resources for the Council. The purpose of the Council's earmarked reserves is explained in Note 27 to the Core Financial Statements.

19. 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. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

20. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would

otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

21. 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 control of the Council.

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

22. OVERHEADS and SUPPORT SERVICES

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

The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received.

The bases of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
• All Central Departments	<i>Estimate of time spent by staff</i>
• Civic, Members & Related Expenses	<i>Charged to Democratic Representation and Management Service</i>
• Administrative Buildings	<i>Area occupied</i>
• I. C.T. Services	<i>Estimate of time spent and actual use</i>

23. EMPLOYEE BENEFITS

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time of in lieu) earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive

Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement on Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits: Employees of the Council are members of the Local Government Pension Scheme administered by Dorset County Council, which is accounted for as a defined benefit scheme:

- The liabilities of the Dorset County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (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, etc, and projections of earnings for current employees).
- Liabilities are discounted to their value at current prices, using a discount rate of 2.40% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Dorset County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

Service Cost, comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year and allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability – ie net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements, comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions and charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions Paid, comprising:

- contributions paid to the Dorset County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits statutory provisions require the General Fund Balance 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. In the Movement on Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby 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 earned by employees.

Discretionary Benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

24. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from H.M. Revenue and Customs. VAT receivable is excluded from income.

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

26. FINANCIAL ASSETS

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

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

The Council's business model is to hold investments to collect contractual cash flows and therefore all financial assets are classified as amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority recognises expected credit losses on all of its financial assets held at amortised cost. The Council takes the simplified approach for trade receivables and lease receivables, where impairment losses are based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be the 12-month expected credit losses. Financial assets held with the government are not considered for impairment.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the debtor could default on their obligations.

The Council does not have any financial assets categorised as fair value through profit or loss, or fair value through other comprehensive income

27. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the first-in-first-out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

28. GROUP ACCOUNTS

The Code requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The financial statements would include:

- group Comprehensive Income and Expenditure Statement
- group Movement in Reserves Statement
- group Balance Sheet
- group Cash Flow Statement

- notes to the group accounts

In order to assess whether this authority has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.
- if the authority does not have control, whether its interests involve it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- if the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:

- Interests in other entities as shown in Note 8 to the Core Financial Statements.

There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

This position is reviewed and updated on an annual basis.

29. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other councils that involve the use of the assets and resources of the councils rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other councils, with the assets being used to obtain benefits for the councils. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

30. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, where the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period, where the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Note 41 to the Financial Statements discloses relevant post balance sheet events for the year of account.

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

31. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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

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

The Authority does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

Notes to the Core Financial Statements

1. PRIOR PERIOD ADJUSTMENTS

There have not been any prior period adjustments required to the 2017/18 comparative figures.

2. EXPENDITURE AND FUNDING ANALYSIS

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

2017/18	2017/18	2017/18		2018/19	2018/19	2018/19	Note
Net Expenditure Chargeable To General Fund £000's	Adjustments Between Funding And Accounting Basis £000's	Net Expenditure In The CIES £000's		Net Expenditure Chargeable To General Fund £000's	Adjustments Between Funding And Accounting Basis £000's	Net Expenditure In The CIES £000's	
			Service Expenditure				
1,112	(81)	1,193	Growth & Economy	965	(89)	1,054	
1,207	(200)	1,407	Housing & Health	1,336	(231)	1,567	
1,358	(491)	1,849	Finance	1,789	(469)	2,258	
1,592	(1,291)	2,883	Community & Leisure	1,498	(1,291)	2,789	
17	0	17	Organisational Development	29	0	29	
763	(17)	780	Legal & Democratic	856	(17)	873	
(371)	(476)	105	Property & Engineering	(320)	(431)	111	
5,678	(2,556)	8,234	Net Cost Of Services	6,153	(2,528)	8,681	
			Other Income & Expenditure:				
0	1	(1)	(Gain)/Loss Disposal Non - Current Assets	0	(2,398)	2,398	
26	0	26	Parish & Town Precepts	27	0	27	
(124)	0	(124)	Interest & Investment Income	(152)	0	(152)	
0	(754)	754	Net Interest Net Defined Benefit Liability	0	(686)	686	
0	0	0	Pension Deficit Contribution			0	
0	1	(1)	Changes in Fair Value of Investment Properties	0	418	(418)	
(632)	0	(632)	Rentals Received on Investment Properties	(730)	0	(730)	
175	0	175	Expenses Incurred on Investment Properties	200	0	200	
(3,903)	(1)	(3,902)	Council Tax Income	(4,071)	0	(4,071)	
(850)	557	(1,407)	Non Domestic Rate Income	(1,603)	(361)	(1,242)	
(1,370)	0	(1,370)	General Government Grants	(1,188)	0	(1,188)	
0	996	(996)	Capital Grants & Contributions	0	1,660	(1,660)	
769	769	0	Min Revenue Provision	54	54	0	
(22)	(22)	0	Capital Expenditure Charged To General Fund	1,332	1,332	0	
			Transfer of Deferred Capital Receipts	(23)	(23)	0	
(253)	(1,009)	756	(Surplus)/Deficit on Provision of Services	(1)	(2,532)	2,531	10
(9,624)			Opening General Fund Balance	(9,877)			
(253)			(Surplus) / Deficit For The Year	(1)			

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2017/18	2017/18	2017/18		2018/19	2018/19	2018/19	Note
Net Expenditure Chargeable To General Fund £000's	Adjustments Between Funding And Accounting Basis £000's	Net Expenditure In The CIES £000's		Net Expenditure Chargeable To General Fund £000's	Adjustments Between Funding And Accounting Basis £000's	Net Expenditure In The CIES £000's	
(9,877)			Closing Total General Fund Balance	(9,878)			
			Total General Fund Balance Made Up From:				
(971)			Un-earmarked Reserves General Fund	(971)			27
(8,906)			Earmarked Reserves General Fund	(8,907)			27
(9,877)			Total General Fund Balance	(9,878)			

NOTE 2.1 ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments From General Fund To Arrive At CIES	Adjustments For Capital Purposes (Note 1)	Net Change For Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000's	£000's	£000's	£000's
Service Area				
Growth & Economy	(8)	(73)	0	(81)
Housing & Health	(72)	(128)	0	(200)
Finance	(248)	(243)	0	(491)
Community & Leisure	(1,103)	(188)	0	(1,291)
Organisational Development	0	0	0	0
Legal & Democratic	(13)	(4)	0	(17)
Property & Engineering	(389)	(87)	0	(476)
Cost of Services	(1,833)	(723)	0	(2,556)
Other Income & Expenditure				
(Gain) / Loss Disposal Non Current Assets	1	0	0	1
Net Interest Net Defined Benefit Liability	0	(754)	0	(754)
Pension Deficit Contribution	0	0	0	0
Changes in Fair Value of Investment Properties	1	0	0	1
Capital Expenditure Charged Against General Fund	769	0	0	769
Council Tax Income	0	0	(1)	(1)
Non Domestic Rate Income	0	0	557	557
Capital Grants	996	0	0	996
Transfer of Deferred Capital Receipts	(22)	0	0	(22)
Difference Between General Fund (Surplus) / Deficit And CIES (Surplus) / Deficit On Provision Of Services	(88)	(1,477)	556	(1,009)

Christchurch Borough Council Statement of Accounts 2018/19 - Audited

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments From General Fund To Arrive At CIES	Adjustments For Capital Purposes (Note 1)	Net Change For Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000's	£000's	£000's	£000's
Service Area				
Growth & Economy	(4)	(85)	0	(89)
Housing & Health	(92)	(139)	0	(231)
Finance	(204)	(265)	0	(469)
Community & Leisure	(1,083)	(208)	0	(1,291)
Organisational Development	0	0	0	0
Legal & Democratic	(13)	(4)	0	(17)
Property & Engineering	(339)	(92)	0	(431)
Cost of Services	(1,735)	(793)	0	(2,528)
Other Income & Expenditure				
(Gain) / Loss Disposal Non Current Assets	(2,398)			(2,398)
Net Interest Net Defined Benefit Liability		(686)		(686)
Changes in Fair Value of Investment Properties	418			418
Capital Expenditure Charged Against General Fund	1,332			1,332
Council Tax Income				0
Non Domestic Rate Income			(361)	(361)
Capital Grants	1,660			1,660
Transfer of Deferred Capital Receipts			(23)	(23)
Minimum Repayment Of Debt	54			54
Difference Between General Fund (Surplus) / Deficit And CIES (Surplus) / Deficit On Provision Of Services	(669)	(1,479)	(384)	(2,532)

NOTE 1 Adjustments for Capital Purposes

Adjustments for Capital Purposes – this column includes depreciation and impairment and revaluation gains and losses in service lines, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure - the statutory charges for capital financing (i.e. Minimum Revenue Provision) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

NOTE 2 Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

For **Services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined liability is charged to the CIES.

NOTE 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Services** there is an adjustment for the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration payable in the year in accordance with statutory requirements.

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 2.2 SEGMENTAL INCOME

	2017/18 Income From Services £000's	2018/19 Income From Services £000's
Service Area		
Growth & Economy	409	471
Housing & Health	438	480
Finance	15,119	13,327
Community & Leisure	3,146	3,507
Organisational Development	2	9
Legal & Democratic	27	1
Property & Engineering	3,366	3,493
Total Segmental Income	22,507	21,288

NOTE 2.3 SEGMENTAL DEPRECIATION

	201718 Depreciation Charged £000's	2018/19 Depreciation Charged £000's
Service Area		
Growth & Economy	8	3
Housing & Health	72	92
Finance	248	204
Community & Leisure	1,099	1,028
Organisational Development	0	0
Legal & Democratic	13	13
Property & Engineering	389	339
Total Segmental Income	1,829	1,679

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

2017/18		2018/19
£000's		£000's
	Expenditure:	
5,911	Employee Related Benefits	6,136
20,025	Other Services Expenses	18,699
3,847	Support Services Recharges	3,903
1,829	Depreciation, Amortisation, Impairment	1,679
0	Loss On Disposal Fixed Assets	2,398
2	Interest Payments	0
26	Precepts & Levies	27
175	Expenditure Incurred on Investment Properties	200
31,815	Total Expenditure	33,042
	Income:	
(7,873)	Fees, Charges & Other Service Income	(8,164)
(126)	Interest & Investment Income	(152)
(1)	Gain On Disposal Of Assets	0
(1)	Changes in Fair Value of Investment Properties	(418)
(632)	Rentals Received on Investment Properties	(730)
(996)	Capital Grants	(498)
(5,309)	Income From Council Tax & Non Domestic Rates	(5,313)
(16,121)	Government Grants & Contributions	(15,236)
(31,059)	Total Income	(30,511)
756	(Surplus) / Deficit On The Provision Of Services	2,531

Included within the Council's income from fees and charges of £8,164k (£7,873k 2017/18) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

2017/18		2018/19
£000's	Income From Contracts With Service Recipients	£000's
2,979	Car Parks	3,027
942	Miscellaneous Items	1,193
1,021	Leisure Centres	1,059
933	Beach Huts	957
281	Highcliffe Castle	328
241	Development Management	320
233	Beaches & Harbour	194
6,630	Total Income From Contracts With Service Recipients	7,078

At the balance sheet date the Council had £303k (£238k 2017/18) included in the balance sheet as receivables that relate to contracts with service recipients.

Material volumes of income that relate to contracts with service recipients relate to car park charges, leisure centre fees & charges and beach huts licence fees. The performance obligation relating to car parks and leisure centres are fulfilled when the payment is made and so there are no performance obligations unsatisfied at the balance sheet date. Beach hut licences are billed yearly for an annual licence, and so again there are no performance obligations unsatisfied at the balance sheet date.

4. BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. The Council is required to set its own charges for Building Regulation application work, so as to recover its costs over any consecutive three-year period.

The costs and income relevant to the Building Control function are shown in the Comprehensive Income and Expenditure Statement in the cost of services. In 2018/19, this service cost £118,120 and attracted income of £102,309, resulting in a deficit of £15,811 (2017/18 £9,669 surplus). The service has made a surplus of £25,891 over the last three years of operation.

Certain activities performed by the Building Control Section cannot be charged for. The statement below shows the total cost of operating the Building Control Section divided between the chargeable and non-chargeable activities.

Chargeable Building Control	Building Regulations Charging Account	Chargeable Building Control	Non-Chargeable Building Control	Total Building Control
2017/18		2018/19	2018/19	2018/19
£000's		£000's	£000's	£000's
Expenditure				
109	Employees Expenses	118	40	158
3	Supplies and Services	0	0	0
112	Total Expenditure	118	40	158
Income				
(121)	Building Regulation Fees	(102)	0	(102)
(121)	Total Income	(102)	0	(102)
(9)	(Surplus)/Deficit for Year	16	40	56

5. GENERAL GOVERNMENT GRANTS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

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2017/18 £000's		2018/19 £000's
	Credited to Taxation & Non Specific Grant Income – Revenue	
662	New Homes Bonus Grant	388
538	Small Business Rate Relief Grant	693
65	Business Rates Discretionary Scheme Relief	31
54	Transition Funding	0
32	Business Rates 2% Inflation Cap	45
8	Revenue Support Grant	0
6	Business Rates Pub Relief	7
6	Council Tax Discount for Family Annexes	7
1	Business Rates Supporting Small Business Relief	1
1	Small Business Rate Relief – Second Property	0
0	Business Rates Levy Account Surplus Redistribution	15
(2)	Business Rates Retail Relief	0
1,371		1,187
	Credited to Taxation & Non Specific Grant Income – Capital	
762	Heritage Lottery Fund	1,162
158	Non-Government Capital Grants	498
76	Coast Protection Works Grant	0
996		1,660
	Credited to Services – Revenue	
13,956	Housing Benefit Subsidy	12,205
194	Housing Benefit Administration Grants	178
56	Flexible Homelessness Support	114
83	Discretionary Housing Payment	77
74	NNDR Administration Grant	75
48	Disabled Facility Grant Direct Funding	57
15	New Burdens – Universal Credit	31
30	New Burdens –Custom Build	30
0	New Burdens Verify Earnings	17
0	New Burdens LA EU Exit Preparation	17
8	DWP Data Requirement Grant	16
1	New Burdens – Welfare Reforms	13
20	New Burdens – Preventing Homelessness	10
0	LA Park Improvement	10
0	New Burdens – Property Search	10
0	National Community clean Up	9
8	Transparency Grant	8
6	New Burdens – Brownfield Register	4
0	New Burdens Self Employed	4
0	New Burdens Lettings Agency	1
1	New Burdens – Single Fraud Service	1
3	Universal Support	0
3	New Burdens Benefit Cap	0
1	Lettings Agency Transparency & Redress Scheme	0
4	Housing Benefit Real Time Information Referral	0
12	Fraud Error Reduction Incentive Scheme	0
6	New Burdens - DHP Administration	0
12	New Burdens Business Rate Relief	0
209	Elections Funding	0
14,750		12,887

6. MEMBERS' ALLOWANCES

The following amounts were paid to members of the Council during the year:

2017/18		2018/19	
£000's		£000's	
0	Salaries	0	
136	Allowances	136	
6	Expenses	6	
142		142	

7. EXECUTIVE REMUNERATION

During 2018/19 the number of employees whose remuneration exceeded £50,000 (including benefits in kind, but excluding pension contributions) was as follows:

2017/18		Total Remuneration	2018/19	
Employees			Employees	
1	Between	£95,001 and £100,000	1	
1	Between	£90,001 and £95,000	2	
1	Between	£85,001 and £90,000	0	
0	Between	£80,001 and £85,000	0	
0	Between	£75,001 and £80,000	0	
0	Between	£70,001 and £75,000	1	
1	Between	£65,001 and £70,000	1	
1	Between	£60,001 and £65,000	0	
0	Between	£55,001 and £60,000	0	
2	Between	£50,000 and £55,000	3	

The following sums were paid to Senior Employees whose salary was between £50,000 and £150,000. A Senior Employee is any person having responsibility for the management of the Council, to the extent that the person has the power to direct or control the major activities of the Council, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

		Salary	Bonuses	Expenses Allowance	Compensation for loss of employment	Other Payments	Pension Contributions	Total
		£	£	£	£	£	£	£
Strategic Director – Growth and Economy	2017/18	92,829	0	0	0	3,372	14,110	110,311
	2018/19	94,686	0	0	0	0	14,392	109,078
Strategic Director – Finance	2017/18	92,829	0	0	0	1,487	14,110	108,426
	2018/19	94,686	0	0	0	1,252	14,392	110,330
Strategic Director - Community & Organisational Development	2017/18	85,231	0	0	0	578	12,955	98,764
	2018/19	91,530	0	0	0	0	13,913	105,443
Head of Community and Leisure	2017/18	68,673	0	0	0	290	10,438	79,401
	2018/19	70,046	0	0	0	0	10,647	80,693
Head of Planning and Building Control Services (from 1 June 2017)	2017/18	51,505	0	0	0	216	7,829	59,550
	2018/19	65,377	0	0	0	0	9,937	75,314

The sums shown above for Senior Employees of the Council relate to the shared Corporate Management Team which serve the Council's partnership with East Dorset District Council.

All of the sums shown above are shared 50:50 between Christchurch Borough Council and East Dorset District Council.

Christchurch Borough Council also shares 50% of the costs of other senior employees who are employed by East Dorset District Council where they form part of the shared Senior Management Team. The costs borne by Christchurch Borough Council for these shared posts for the 2018/19 financial year were as follows:

- Chief Executive: £68,923 (£71,879 in 2017/18)
- Head of Property and Engineering (to 31 March 2018): £0 (£79,746 in 2017/18)

EXIT PACKAGES

The Council recognises the cost of exit packages for employees when it is demonstrably committed to making them. The costs of exit packages include redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The numbers of exit packages and total costs in bands of £20,000 are set out in the table below:

Exit Package Cost Band	Number Of Compulsory Redundancies		Number Of Other Departures Agreed		Total Number Of Exit Packages		Total Cost Of Exit Packages £000's	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	1	1	0	0	1	1	10	6
£20,001 - £40,000	0	1	0	0	0	1	0	30
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	1	2	0	0	1	2	10	36

8. RELATED PARTY TRANSACTIONS

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 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.

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the legislative framework within which the Council operates, provides substantial funding in the form of grants and prescribes

the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). These grants are disclosed in Note 5.

Members of the Council have direct control over the Council's financial and operating policies. Members have interests in the following bodies where the following material transactions arose during the year:

Payments	£000's
Red House Museum Joint Management Committee	50
(Councillors N Geary and Mrs D Jones are members of the Committee)	
Regent Centre	28
(Councillor P Hall is the Christchurch Borough Council representative)	
Citizens Advice Bureau	65
(Councillor Mrs PF Jamieson is the Christchurch Borough Council representative)	
Christchurch Harbour Association	2
(Hon Freeman Councillor J Lofts and Councillor Mrs Phipps are the Christchurch Borough Council representatives)	

Amounts due to and from related parties are included within the balances disclosed in Notes 32 and 34. A register of members' interests is maintained and is open to public inspection.

Members of the senior management team are also considered to have the potential to control or influence the Council. These employees complete individual declarations of interest. There were no related party transactions between the Council and entities in which the senior management team have interests for 2018/19.

The Council also has relationships with:

- Dorset Police and Crime Commissioner and Dorset & Wiltshire Fire & Rescue Authority (as major precepting authorities) as disclosed in the Collection Fund.
- Dorset County Council (as a major precepting authority and administrator of the Dorset County Council Pension Fund) as disclosed in Note 29 and the Collection Fund.

These parties do not constitute related parties as defined by the Code.

Stour Valley Internal Audit Partnership

Included in the Council's Income and Expenditure Account are the costs and income from the Stour Valley Internal Audit Partnership. This partnership provides full internal audit services for Christchurch Borough Council and East Dorset District Council. East Dorset District Council hosts the Internal Audit Partnership. The costs of the Internal Audit Partnership are split in relation to the number of days allocated to each authority in the audit plan. The table below shows the costs included in the Comprehensive Income and Expenditure Statement for the partnership.

2017/18		2018/19
£000's		£000's
68	Employee Costs	85
29	Supplies & Services	26
3	Central Administration and Accommodation	5
100	Total Costs of the Partnership	116
(51)	Costs Borne By East Dorset	(59)
49	Net Cost to Christchurch Borough Council	57

Stour Valley and Poole Revenues and Benefits Partnership

Included in the Council's Income and Expenditure Account are the Council's share of costs relating to the Stour Valley and Poole Revenues and Benefits Partnership. This partnership formed on 1 January 2015 and administers Council Tax and business rates collection and the award of housing and Council Tax benefit for Christchurch Borough Council, East Dorset District Council, North Dorset District Council and Poole Borough Council. Poole Borough Council host the service, employing all the staff and charge the other partners their share of costs. Prior to this the Stour Valley Partnership provided these services for Christchurch, East Dorset and North Dorset and was hosted by East Dorset. Costs of the Stour Valley and Poole Partnership are split 49% to Poole and 51% to the original Stour Valley Partnership members, who further share this element of the cost on the 36:32:32 basis. Christchurch's share of £876k has been charged to the Income and Expenditure Account.

Shared Management Team

From 1 January 2011 Christchurch Borough Council and East Dorset District Council established a shared management team, the cost of which is split equally between the councils. These officers have the ability to influence both authorities and the relationships between them, although both councils retain their democratic independence. The officers concerned and the payments for their remuneration are disclosed in Note 7. The total cost of the shared service to Christchurch Borough Council was £443,016.

Shared Services

During 2015/16 Christchurch Borough Council and East Dorset District Council completed their joint working reorganisation. Cost sharing arrangements are set up in each review relevant to the service area being shared.

Dorset Waste Partnership

On 1 April 2011 Christchurch entered a partnership arrangement with Dorset County Council, East Dorset District Council, Purbeck District Council and North Dorset District Council to form the Dorset Waste Partnership (DWP). On the 1 April 2013 West Dorset District Council and Weymouth & Portland Borough Council joined the DWP. The partnership is a jointly controlled operation with a DWP Joint Committee which comprises Elected Members from each authority. In addition, there is a Management Board of officers from each authority and the DWP.

Dorset County Council hosts the DWP and on 1 April 2011 the Council's fleet of waste and recycling vehicles were transferred to the County Council, along with

the associated finance lease liabilities associated with them. The income and expenditure budgets relating to waste, recycling and street cleaning have largely been transferred to the DWP, and replaced by a payment from Christchurch to the DWP for these services. For 2018/19 Christchurch paid the DWP £1,315,070 in service costs. These costs are included within the Comprehensive Income and Expenditure Statement under Property & Engineering Services.

9. AUDITOR REMUNERATION

The Council was audited by Grant Thornton UK LLP. The Council was due to pay £42,266 for audit services relating to, and other work carried out in, 2018/19 (£49,671 in 2017/18) as shown below.

2017/18		2018/19
£000's		£000's
42	Fees payable to auditors appointed by Public Sector Audit Appointments with regard to external audit services carried out by the appointed auditor under the Public Sector Audit Appointments' Code of Practice.	32
8	Fees payable to auditors appointed by Public Sector Audit Appointments for the certification of grant claims and returns by the appointed auditor.	0
0	Fees payable in respect of other services provided by the appointed auditor.	10
50	Total	42

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The Comprehensive Income and Expenditure Statement does not include certain adjustments required by statute or non-statutory proper practices but are required to be charged to the General Fund. It is the General Fund Balance, rather than the Comprehensive Income and Expenditure Statement, which shows the impact of the Council operations on the council tax payer. These adjustments are shown in the Movement in Reserves Statement in the line "*Adjustments between accounting basis and funding basis under regulations*" and are analysed in the table below.

2017/18

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Adjustments To Revenue Resources				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,535)			2,535
Employer's pensions contributions and direct payments to pensioners payable in the year	1,058			(1,058)
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	556			(556)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Capital Grants and Contributions Applied	0			0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	996		(996)	
Revenue expenditure funded from capital under statute	(5)			5
Charges for depreciation and impairment of non-current assets	(1,740)			1,740
Amortisation of intangible assets	(89)			89
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Movements in the market value of Investment Properties	1			(1)
Total Adjustments To Revenue Resources	(1,758)	0	(996)	2,754
Adjustments between Revenue and Capital Resources				
Capital expenditure financed from revenue balances	770			(770)
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	1	(1)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Total Adjustments between Revenue and Capital Resources	771	(1)	0	(770)

2017/18

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Adjustments To Capital Resources				
Application of grants to capital financing transferred to the Capital Adjustment Account			971	(971)
Use of the Capital Receipts Reserve to finance new capital expenditure		280		(280)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(22)	(33)		55
Total Adjustments to Capital Resources	(22)	247	971	(1,196)
Total Adjustments	(1,009)	246	(25)	788

2018/19

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Adjustments To Revenue Resources				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,606)			2,606
Employer's pensions contributions and direct payments to pensioners payable in the year	1,126			(1,126)
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(360)			360
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Capital Grants and Contributions Applied	0			0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,660		(1,660)	
Revenue expenditure funded from capital under statute	(56)			56

2018/19

	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's
Charges for depreciation and impairment of non-current assets	(1,600)			1,600
Amortisation of intangible assets	(78)			78
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,399)			2,399
Movements in the market value of Investment Properties	418			(418)
Total Adjustments To Revenue Resources	(3,895)	0	(1,660)	5,555
Adjustments between Revenue and Capital Resources				
Provision for the repayment of debt	54			(54)
Capital expenditure financed from revenue balances	1,332			(1,332)
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	1	(1)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Total Adjustments between Revenue and Capital Resources	1,387	(1)	0	(1,386)
Adjustments To Capital Resources				
Application of grants to capital financing transferred to the Capital Adjustment Account			1,350	(1,350)
Use of the Capital Receipts Reserve to finance new capital expenditure		1,084		(1,084)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(23)	(33)		56
Total Adjustments to Capital Resources	(23)	1,051	1,350	(2,378)
Total Adjustments	(2,531)	1,050	(310)	1,791

11. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

Intangible assets comprise software licenses and are amortised to service accounts on a straight-line basis from the year of acquisition over a three year period which represents their economic lives. The amortisation of £78,331 charged

to revenue in 2018/19 (£89,276 in 2016/17) was charged to the relevant cost centre in the Net Expenditure of Services. It is not possible to quantify exactly how much amortisation is attributable to each service heading.

2017/18 £000's		2018/19 £000's
696	Original cost	735
(495)	Amortisations to 1 April	(584)
201	Balance as at 1 April	151
39	Expenditure in year	4
(89)	Written off to revenue in year	(78)
151	Balance as at 31 March	77
	Comprising:	
735	Gross Carrying Amounts	739
(584)	Accumulated amortisation	(662)
151		77

12. NON-CURRENT ASSETS

All of the Council's assets relate to the General Fund. Fixed assets owned by the Council as at 31 March 2019 include the following:

Property Plant & Equipment

This category of assets includes:

Land & Buildings

Houses	3	Off-street Car Parks	20
Leisure/Recreation/Community Centres	7	Public Conveniences	11
Municipal Buildings	1	Castle	1
Cemetery	1	Depot	2

The Council also has multiple other miscellaneous corporate properties.

Vehicles, Plant & Equipment

Included in this category of assets are vehicles, items of play equipment, recycling bins, sports equipment, computer equipment and printing equipment.

Infrastructure Assets

These include in the main coast protection works.

Community Assets

These include land at Stanpit Rec, Chewton Bunny and Chewton Gateway and Convent Walk Wall.

13. PROPERTY, PLANT & EQUIPMENT

£000	Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total 2017/18 £000's
£000	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation as at 1 April 2017	54,002	4,246	9,212	484	0	0	67,944
Additions	918	646	412				1,976
Donations							0
Revaluations recognised in the Revaluation Reserve	2,311						2,311
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services							0
Derecognition - Disposals							0
Derecognition – Other		(121)					(121)
Assets Reclassified (to)/from Held For Sale							0
Other Movements in Cost or Valuation	(12)						(12)
Cost or Valuation as at 31 March 2018	57,219	4,771	9,624	484	0	0	72,098
Accumulated Depreciation & Impairments as at 1 April 2017	(1,247)	(3,142)	(7,043)	(99)	0	0	(11,531)
Depreciation Charge for 2017/18	(1,020)	(332)	(350)	(34)			(1,736)
Depreciation written out to the Revaluation Reserve	879						879
Depreciation written out to the Surplus/Deficit on the Provision of Services							0
Impairment losses/(reversals) recognised in the Revaluation Reserve							0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							0
De-recognition - Disposals							0
De-recognition – Other		121					121
Other Movements in Deprecation & Impairment	12						12
Accumulated Depreciation & Impairments as at 31 March 2018	(1,376)	(3,353)	(7,393)	(133)	0	0	(12,255)
Net Book Value as at 31 March 2018	55,843	1,418	2,231	351	0	0	59,843
Net Book Value as at 1 April 2017	52,755	1,104	2,169	385	0	0	56,413

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	RESTATED Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total 2018/19 £000's
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation as at 1 April 2018	57,219	4,771	9,624	484	0	0	72,098
Additions	2,459	336	904	6			3,705
Donations							
Revaluations recognised in the Revaluation Reserve	(1,512)						(1,512)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	(863)						(863)
Derecognition – Other	(155)	(108)					(263)
Assets Reclassified (to)/from Held For Sale							
Other Movements in Cost or Valuation							
Cost or Valuation as at 31 March 2019	57,148	4,999	10,528	490	0	0	73,165
Accumulated Depreciation & Impairments as at 1 April 2018	(1,376)	(3,353)	(7,393)	(133)	0	0	(12,255)
Depreciation Charge for 2018/19	(951)	(334)	(277)	(34)			(1,596)
Depreciation written out to the Revaluation Reserve	1,013						1,013
Depreciation written out to the Surplus/Deficit on the Provision of Services							
Impairment losses/(reversals) recognised in the Revaluation Reserve							
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	34						34
Derecognition – Other		108					108
Other Movements in Depreciation & Impairment							
Accumulated Depreciation & Impairments as at 31 March 2019	(1,280)	(3,579)	(7,670)	(167)	0	0	(12,696)
Net Book Value as at 31 March 2019	55,868	1,420	2,858	323	0	0	60,469
Net Book Value as at 1 April 2018	55,843	1,418	2,231	351	0	0	59,843

14. DEPRECIATION & AMORTISATION

For 2018/19, depreciation of £1.678m (£1.829m in 2017/18) was charged using the straight-line method, and based on the following assumed useful lives of assets:

- *Land and Buildings – finite life for buildings given by the valuer for each individual property, and no depreciation applied to land;*
- *Vehicles, Plant and Equipment – generally 6 years for equipment and 5 years for vehicles;*
- *Infrastructure – 20 years;*
- *Community Assets – usually 10 years if appropriate, although most Community Assets relate to land and so are not depreciated;*
- *Intangible Assets – 3 years.*

All depreciation is applied from the year following purchase and on the straight line method.

15. IMPAIRMENT LOSSES

Downward valuations of £2,038,162 (£110,460 in 2017/18) are included in the asset values as at 31 March 2019. These are based on formal valuations of the Council's assets by the District Valuer.

The largest single downwards revaluation relates to Highcliffe Castle (£1,656,682) due to a variation in estimation technique between 2017/18 and 2018/18, the former valuation being based on direct rebuild cost and the latter based on facsimile replacement.

There are no other impairments being carried for assets in the balance sheet.

16. CAPITAL EXPENDITURE

2017/18 £000's		2018/19 £000's
55	Opening Capital Financing Requirement	55
	Capital Investment	
39	Intangible Assets	4
0	Heritage Assets	0
1,977	Property Plant & Equipment	3,705
0	Investment Properties	0
5	Revenue expenditure funded from capital under statute	56
0	Long Term Grants	0
2,021	Total Capital Investment	3,765
	Sources of Finance	
(280)	Usable Capital Receipts	(1,084)
(971)	Capital Grants and Contributions	(1,350)
(770)	Revenue Funds	(1,331)
0	Minimum Revenue Provision	(55)
(2,021)	Total Capital Financing	(3,820)
55	Closing Capital Financing Requirement	(0)

Explanation Of Movements In Year		
0	Increase In Underlying Need to Borrow (Unsupported)	0
0	Assets Acquired Under Finance Leases	0
	Minimum Revenue Provision	(55)
0	Increase/(Decrease) In Capital Financing Requirement	(55)

17. CAPITAL COMMITMENTS

As at 31 March 2019, the Council had the following contractual capital commitments:

- Highcliffe Castle repairs and conservation (£597k)
- Highcliffe Zig Zag rebuild (£330k)
- Legacy Play Scheme (£925k)
- Car Park Reconfiguration Works (£98k)
- Leisure Centre Access Road and Car Parks (£199k)
- Saxon Square Toilet Refurbishment (£94k)

18. ASSET VALUATION

The Council valued all of its assets with effect 1 April 2009. This was carried out by external valuers Goadsby by David Waters BSc (Hons) MRICS and Adam Tovey BEng (Hons) MRICS, and internally by Philip Marston BSc (Hons) MRICS on the bases shown in Note 9 to the Statement of Accounting Policies.

Non-property assets where the cost of acquisition exceeds £15,000 are also included within the Council's Asset Register and are shown at cost less depreciation.

The value of the Council's assets is reviewed regularly by a third party, the District Valuer, as part of a rolling programme of revaluation over a five year period.

In addition, impairment reviews are also carried out at the year end to ensure that assets are not carried in the balance sheet at more than their recoverable amount. Assets are reviewed by the Property, Engineering & Car Parks Manager, Projects & Estates Manager, Financial Services Manager and Group Accountant to identify whether any indications exist that an asset may be impaired at the balance sheet date. If there are no indications of impairment no further work is required. If there is evidence of impairment then a formal revaluation of the asset may be required. There were no indications of impairment as at 31 March 2019.

The basis of valuation is set out in Note 9 to the Statement of Accounting Policies. Valuations as at 1 April 2018 were prepared by S R Carter (BA (Hons) BSc MRICS).

	Land & Buildings	Vehicles Plant & Equipment	Total
	£000's	£000's	£000's
Valued at historical cost	424	1,420	1,844
Valued at current value in:			
2015/16	2,298	0	2,298
2016/17	7,560	0	7,560
2017/18	5,089	0	5,089
2018/19	40,497	0	40,497
Total	55,868	1,420	57,288

19. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Authority.

	Place Mill £000's	Civic Regalia £000's	Total £000's
Cost or Valuation			
1 April 2017	158	106	264
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Cost Or Valuation 31 March 2018	<u>158</u>	<u>106</u>	<u>264</u>
Accumulated Depreciation 1 April 2017	(4)	0	(4)
Depreciation Written Out To Revaluation Reserve	0	0	0
Depreciation Charge For 2017/18	(4)	0	(4)
Accumulated Depreciation 31 March 2018	<u>(8)</u>	<u>0</u>	<u>(8)</u>
Net Book Value 31 March 2018	<u>150</u>	<u>106</u>	<u>256</u>
Cost or Valuation			
1 April 2018	158	106	264
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Cost Or Valuation 31 March 2019	<u>158</u>	<u>106</u>	<u>264</u>
Accumulated Depreciation 1 April 2018	(8)	0	(8)
Depreciation Written Out To Revaluation Reserve	0	0	0
Depreciation Charge For 2018/19	(4)	0	(4)
Accumulated Depreciation 31 March 2019	<u>(12)</u>	<u>0</u>	<u>(12)</u>
Net Book Value 31 March 2019	<u>146</u>	<u>106</u>	<u>252</u>

In addition to Place Mill, the Council also owns Highcliffe Castle. Highcliffe Castle is classed as an operational Heritage Asset because although it is maintained principally for its contribution to knowledge and culture it also generates service income. As such it is subject to the same rolling programme of valuations as are

required for other operational land and building assets. Due to its classification as an operational Heritage Asset it is included within Land & Buildings in the Balance Sheet.

The Civic Regalia comprises various items including a silver mace and a gold Chain of Office and Badge of Office worn by the Mayor when acting as a representative of the Council at public events.

20. INVESTMENT PROPERTIES

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement, other than those disclosed in Note 17.

The following table summarises the movement in the fair value of investment properties over the year:

2017/18	2018/19
£000's	£000's
12,978	12,979
Balance at start of year	
Additions:	
0 Purchases	0
0 Construction	0
0 Subsequent Expenditure	0
0 Disposals	(1,570)
1 Net Gains/(losses) from fair value adjustments	418
Transfers:	
0 To/from Inventories	0
0 To/from Property , Plant & Equipment	0
0 Other changes	0
12,979	11,827
Balance at end of year	

The Code requires that Investment Assets are measured at Fair Value under IFRS 13, Fair Value Measurement. The fair value of Investment Assets is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The approach to fair value measurement looks at the highest and best use for an asset, i.e. a market value based measurement, rather than the reasons why the Council may hold an asset.

The Council's Investment Assets have been valued as at 31 March 2019 as part of the rolling programme of asset valuations by the District Valuer, SR Carter (BA (Hons) BSc MRICS). The valuation technique applied in respect of the Fair Value figures is the market value approach. This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

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The inputs to this technique constitute Level 2 inputs. Level 2 inputs are those that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

The Fair Value hierarchy as shown below.

Fair Value Hierarchy – Valuation Techniques	
Level 1	Quoted prices in active markets for identical items
Level 2	Other inputs observable for the item
Level 3	Unobservable inputs

The total gross book value, revaluation, disposals and carrying amount for Investment Assets is disclosed above. The table below lists the individual assets within the Investment Asset category and details their carrying amount and basis of valuation as at 31 March 2019.

Asset	Carrying Value 31.3.18 £000	Carrying Value 31.3.19 £000	Hierarchy Level	Basis Of Valuation
Greenhouse Roeshot Hill	2,000	430*	Level 2	Market value
Quomps Boat Store	183	183	Level 2	Market value
Quomps Old Mill Tea Rooms	375	400	Level 2	Market value
Avon Beach Cafe Car Park /Beach Concession Mudeford	395	395	Level 2	Market value land apportionment
Cliffhanger Café	402	390	Level 2	Market value
Friars Cliff Cafe	145	145	Level 2	Market value
Mudeford Quay Fish stall-land	74	70	Level 2	Market value land apportionment
Mudeford Quay Haven House Inn	1,950	1,950	Level 2	Market value
Mudeford Quay Highcliffe Sailing Club HQ + Supp Lease	260	275	Level 2	Market value
Stony Lane South - East Dorset Bowls Club	122	122	Level 2	Market value land apportionment
St Catherines Hill Vodaphone	36	24	Level 2	Market value land and building apportionment
St Catherines Hill Mercury & BTCR	310	100	Level 2	Market value land and building apportionment
The Boathouse Quay Road	1,000	1,000	Level 2	Market value
Castle Street No 11 (Perfumery) Christchurch Lease	233	265	Level 2	Market value
Saxon Square Christchurch Lease to Sun Life Of Canada	1,380	1,380	Level 2	Market value
Saxon Sq Christchurch Lease to Former Sainsburys	10	10	Level 2	Market value
Jellicoe Drive - Shop	110	113	Level 2	Market value
Airfield Industrial Park	3,994	4,575	Level 2	Market value
Total Investment Assets	12,979	11,827		

* A significant proportion of this asset was transferred to the newly established Highcliffe and Walford Neighbourhood Council on 31 March 2019.

21. ASSETS HELD FOR SALE

Assets held for sale are defined as assets that the Council has plans to dispose of, are available for sale in their current condition, are being actively marketed at a reasonable price in relation to its fair value, and where the sale is likely to take place within one year.

The Council classified one asset as held for sale as at 31 March 2019.

2017/18	2018/19
£000's	£000's
0 Balance at start of year	0
Assets newly classified as held for sale:	
0 Property, Plant and Equipment	155
0 Balance at end of year	155

22. LEASES**The Council as a Lessee – Finance Leases**

The Council has acquired no finance leases during 2018/19 and has not acquired any assets under finance leases in previous years.

The Council as a Lessee – Operating Leases

The Council leases in small items of office equipment such as water coolers and photocopiers under operating leases but these are not material to the financial statements.

The Council leases in land from third parties. This is mainly used for car parking and the provision of open spaces.

The future minimum lease payments due under non-cancellable leases in future years are:

	31.3.18	31.3.19
	£000's	£000's
Not later than one year	71	71
Later than one year but not later than five years	219	182
Later than five years	179	145
Total	469	398

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases is as follows:

	Minimum Lease Payments		Contingent		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000's	£000's	£000's	£000's	£000's	£000's
Community & Leisure	18	18	8	0	26	18
Organisational Development	33	33	0	0	33	33
Legal & Democratic	0	0	0	0	0	0
Property & Engineering	38	38	12	16	50	54
Investment Properties	0	0	2	2	2	2
	89	89	22	18	111	107

The Council as a Lessor – Finance Leases

The Authority has leased out buildings on finance leases at the following sites: Avon Beach Café with a remaining term of 14 years, Mudeford Quay Fish Stall with a remaining term of 2 years, Iford Bowling Club with a remaining term of 7 years, East Dorset Indoor Bowls Club with a remaining term of 7 years, Stanpit Sea Scouts with a remaining term of 8 years, Beach House Café with a remaining life of 9 years and Vodaphone Mast Site with a remaining life of 11 years.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment in all the properties is made up of the following amounts.

	31 March 2018 £000's	31 March 2019 £000's
Finance lease debtor (net present value of minimum lease payments)	907	851
Current	56	58
Non- Current	851	793
Unearned Finance Income	350	316
Less Unguaranteed residual value of property	(161)	(161)
Gross Investment in the Lease	1,096	1,006

The gross investment in the lease and the minimum Lease Payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2018 £000's	31 March 2019 £000's	31 March 2018 £000's	31 March 2019 £000's
Not later than one year	90	90	56	58
Later than one year and not later than five years	349	340	233	231
Later than five years	657	576	456	401
	1,096	1,006	745	690

There is a possibility that worsening financial circumstances might result in lease payments not being made, but the Authority does not currently put aside an allowance for uncollectible amounts.

The minimum lease payments do not include rents that are contingent on events taking place after the leases were entered into such as adjustments following rent reviews. In 2018/19 £25,077 of contingent rents were receivable (£25,077 2017/18).

The Council as a Lessor – Operating Leases

The Authority leases out property under operating leases for the following purposes:

- To gain rental income from its investment properties
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- To provide leisure facilities for public use

The future minimum payments receivable under non-cancellable leases in future years are:

	31 March 2018 £000's	31 March 2019 £000's
Not later than one year	399	448
Later than one year but not later than five years	1,384	1,514
Later than five years	14,457	21,945
Total	16,240	23,907

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to the minimum lease payments was £448,080 (£398,728 in 2017/18).

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews and excess rent based on turnover. In 2018/19 the Council received £451,976 of contingent rents (£374,532 in 2017/18).

23. INSURANCE RESERVES

The insurance reserve covers risks which the Council does not insure with outside insurers, together with any excess on its policies. The material risks include making good damage to Council property caused by subsidence or flooding, professional negligence costs not involving a third party, ex-gratia payments and performance bonds on contracts. There are no material unfunded risks.

	Balance 1.4.18 £000's	Transfers/ Receipts in Year £000's	Payments in Year £000's	Balance 1.4.19 £000's	Transfers/ Receipts/ in Year £000's	Payments in Year £000's	Balance 31.3.19 £000's
Insurance Reserves	(152)	(12)	20	(144)	(14)	43	(115)

24. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement through depreciation and impairment losses charged via 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 by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

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2017/18 £000's		2018/19 £000's	
35,179	Balance as at 1 April		36,020
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(1,740)	Charges for depreciation of non-current assets	(1,600)	
0	Revaluation gains/losses on Property, Plant & Equipment charged on the Comprehensive Income and Expenditure Statement	0	
(89)	Amortisation of Intangible Assets	(78)	
(5)	Revenue expenditure funded from capital under statute	(56)	
0	De-recognition – other	0	
0	Amounts of non-current assets written off on disposal or sale as a part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,399)	(4,133)
	Adjusting amounts written out of Revaluation Reserve		
653	Net written out amount of the cost of non-current assets consumed in the year	630	
0	Adjustments to Opening Balance	0	
0	Balances Written Off On Sale Of Assets	252	882
	Capital financing applied in the year		
280	Use of Capital Receipts Reserve to finance new capital expenditure	1,084	
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing.	0	
971	Application of grants to capital financing from the Capital Grants Unapplied Account	1,350	
770	Capital expenditure charged against the General Fund Minimum Revenue Provision	1,331	3,765
1	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		54
			418
<u>36,020</u>	Balance as at 31 March		<u>37,006</u>

25. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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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.

2017/18		2018/19	
£000's		£000's	£000's
(34,618)	Balance as at 1 April		(37,155)
(3,227)	Upward Revaluation of Assets	(1,236)	
37	Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	1,735	
(3,190)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services.		499
653	Difference between fair value depreciation and historical cost depreciation	630	
0	Accumulated gains on assets sold or scrapped	252	
0	Amount written off to the Capital Adjustment Account	0	882
(2,537)	Movement on Reserve		1,381
(37,155)	Balance as at 31 March		(35,774)

26. CAPITAL RESERVES

The Usable Capital Receipts Reserve represents the capital receipts generated from the sale of Council-owned assets available to finance capital expenditure in future years.

Capital Grants Received In Advance relates to capital grants and contributions received which have conditions attached that stipulate what the money can be spent on, and these conditions have not yet been met. If the conditions are not met then ultimately the monies may need to be returned to the body awarding the grant or contribution. They are therefore recorded as a liability in the balance sheet.

Capital Grants Unapplied relate to grants received where no conditions are attached and so these sums are at the general disposal of the authority and are recorded as a reserve in the balance sheet.

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	Usable Capital Receipts	Capital Grants Received In Advance	Capital Grants Unapplied
	£000's	£000's	£000's
Balance as at 1 April 2017	1,332	0	763
Amounts Receivable in 2017/18	34	0	996
Other Transfer	0	0	0
Amounts Applied to Finance New Capital Investment	(280)	0	(971)
Balance as at 1 April 2017	1,086	0	788
Amounts Receivable in 2018/19	34	0	1,660
Other Transfer	0	0	0
Amounts Applied to Finance New Capital Investment	(1,084)	0	(1,350)
Balance as at 31 March 2019	36	0	1,098

27. EARMARKED RESERVES & GENERAL FUND

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to meet General Fund expenditure.

	Balance 1 April 2017	Transfers/ Receipts in Year	Payments in Year	Balance 1 April 2018	Transfers/ Receipts in Year	Payments in Year	Balance 31 March 2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Miscellaneous Grants	192	26	(81)	137	53	(108)	82
Insurance Reserve	152	12	(20)	144	14	(43)	115
Miscellaneous	6,039	2,038	(3,001)	5,076	3,061	(2,588)	5,549
Revenue Reserves							
Revenue Reserves for Capital	2,270	2,217	(937)	3,550	1,140	(1,528)	3,162
Total Reserves	8,653	4,293	(4,039)	8,907	4,268	(4,267)	8,908
General Fund	971	0	0	971	0	0	971

Grants Reserves are maintained to fund loans to individuals or third parties which are repayable over time. The main reserve within this heading is the Rent Deposit Fund.

Revenue Reserves for Capital are set aside to fund the Council's approved Capital Programme. This is the main source of capital funding for the Council until further capital receipts are realised.

Miscellaneous Revenue Reserves are held for expenditure which normally occurs on a non-annual basis, such as Local Plan Inquiries and District Elections. The balance as at 31 March 2019 of £5,549k includes the following amounts:

- Developer contributions towards heathlands impact mitigation and transport infrastructure £507k
- Reserves earmarked for funding growth within the Borough £248k
- Community Housing Fund £446k;

- Business Rate income reserve £1,033k for managing fluctuations in income;
- Unallocated Funds £2,175k, available to fund corporate priorities.
- The remaining £1,140k of Other Earmarked Reserves relates to various funding set aside to meet different Corporate Objectives such as Member Ward Budgets, Change Fund and Elections.

28. FUNDS HELD FOR THIRD PARTIES

The Council administers amounts totalling £2,830 (£15,025 in 2017/18) in respect of monies held for the Mayor Charity. These amounts are included as creditors in the accounts of the Council.

29. RETIREMENT BENEFITS

Participation in a Pension Scheme

As part of the terms and conditions of employment of its officers the Council makes contributions to the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire the Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), which is administered by Dorset County Council. It is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. Before 1 April 2014 the scheme was a final salary defined benefit scheme, but after this date it is a career average salary defined benefit scheme. Benefits accrued up to 31 March 2014 are protected and calculated under the final salary method. The scheme is index linked to protect benefits from the effects of inflation.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

Since the operation of the scheme is governed by legislation the Council has no material discretion over payments made to employees, the rate of employers contribution to the pension fund or the type of scheme (e.g. the Council could not decide to change the scheme from an index linked career average salary scheme unless amending legislation was introduced by the government).

Transactions Relating to Post-Employment Benefits

In 2018/19 the Council paid into the Pension Fund an employer's contribution of £1,126,000, based on 15.2% of employees' pensionable pay (£1,058,000 in 2017/18, 15.2%). The current service cost was £1,881,000 (£1,747,000 2017/18).

The Council increased its contributions to 15.2% of employee's pensionable pay from 1 April 2017 for a three-year period as a result of the actuarial valuation of the

Fund as at 31 March 2016 (13.6% 2016/17). This contribution rate reflects current pension costs being accrued. To recover the pension deficit that has accumulated over previous years the Council paid a lump sum of £263,000 in 2017/18 and £260,000 in 2018/19.

Employees also pay between 5.5% and 12.5% of their salary into the fund. In addition, the Council is responsible for all pension payments relating to added years benefits that it has awarded, together with any related increases. In 2018/19 these amounted to £120,879 (£114,994 in 2017/18) and are included in the Finance service segment.

The cost of retirement benefits is recognised in the reported 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 post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2017/18 £000's		2018/19 £000's
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,747	Current Service Cost	1,881
0	Past Service Costs	0
0	Settlements/Curtailments	0
34	Administration Costs	39
	Financing & Investment Income & Expenditure	
754	Net Interest Expense	686
2,535	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,606
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(1,116)	Return on Plan Assets (excluding amount included in interest expense)	(969)
0	Actuarial Gains and Losses Arising on Changes in Demographic Assumptions	(4,463)
(1,326)	Actuarial Gains and Losses Arising on Changes in Financial Assumptions	3,294
0	Increased Liability Relating To McCloud Judgement	436
93	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	904
	Movement in Reserves Statement	
965	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	222
	Actual amount charged against the General Fund Balance for pensions in the year	
1,058	Employer's contributions payable to the scheme	1,126

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 as at the beginning of the period (i.e. as at 1 April 2018 for the year to 31 March 2019). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to

reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The net interest on the defined liability in the year was £686,000 (£754,000 in 2017/18).

In estimating the Council's future cashflows the actuary has assumed a past service liability duration of 17 years. The estimated cashflows are used to derive a Single Equivalent Discount Rate. The discount rate derived is such that the net present value of notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

The RPI increase assumption is set using a Single Equivalent Inflation Rate approach, using notional cashflows as described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption that CPI will be 1% per annum below RPI, i.e. 2.45%. Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale (1.5% above price increases 2017/18).

The Local Government Pension Scheme liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Dorset County Council Fund are based upon the latest full actuarial valuation of the scheme as at 31 March 2016.

Included in the Council's pension fund liabilities as at 31 March 2019 is an estimate made by the actuary due to the McCloud ruling. This relates to the Government's refusal of right to appeal against a landmark ruling by the Court of Appeal with regard to age discrimination against younger public sector workers by protecting the retirement benefits of older staff. While the case was brought by members of the judicial and firefighters pension schemes, it will have implications for the LGPS. The remedy that will be imposed by the Court is not yet known, but using their knowledge of the Dorset LGPS membership data and future pay assumptions the actuary has made a best estimate of the possible impact on the Council of £436k.

The major assumptions used by the actuary were (in nominal terms):

2017/18		2018/19
%		%
5.00	Expected rate of return on assets	5.00
3.35	Rate of increase in inflation – RPI	3.45
2.35	Rate of increase in inflation – CPI	2.45
3.85	Rate of increase in salaries	3.95
2.35	Rate of increase in pensions in payment and deferred pensions	2.45
2.55	Discount rate	2.40

It has been assumed that:

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

Years	Assumed life expectancy from age 65	Years
24.0	Retiring today:	Males 22.9
26.1		Females 24.8
26.2	Retiring in 20 years:	Males 24.6
28.4		Females 26.6

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method.

	Increase In Assumption £000's	Current Assumption £000's	Decrease In Assumption £000's
Longevity (change by 1 yr)			
Present Value Of Obligation	80,449	77,427*	74,523
Projected Service Cost	1,920	1,861	1,803
Pension Increase (change by 0.1%)			
Present Value Of Obligation	78,653	77,427	76,222
Projected Service Cost	1,905	1,861	1,818
Salary Increase (change by 0.1%)			
Present Value Of Obligation	77,525	77,427	77,330
Projected Service Cost	1,861	1,861	1,861
Liability Discount Rate (Change by 0.1%)			
Present Value Of Obligation	76,125	77,427	78,753
Projected Service Cost	1,818	1,861	1,905

*Not including additional liability relating to McCloud judgement estimated at £436k.

The assets held by the Fund as at 31 March 2019, relating to Christchurch Borough Council, expressed as a proportion of the total assets are set out in the following table:

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2017/18 £000	2017/18 Proportion %		2018/19 £000's	2018/19 Proportion %
26,561	54	Equities	25,673	50
6,434	13	Liability Driven Investment	6,565	13
4,953	10	Property	5,523	11
690	1	Cash	1,519	3
2,971	6	Diversified Growth Fund	3,007	6
1,773	4	Infrastructure	2,327	5
0	0	Hedge Fund	0	0
2,312	5	Multi Asset Credit	2,397	5
3,444	7	Other Bonds	3,588	7
49,138	100	Total	50,599	100

Of the asset allocations above:

	% Quoted	% Unquoted
Fixed Interest Government Securities – UK		
Corporate Bonds – UK	7.1	
Equities – UK	20.5	
Equities – Overseas	27.6	
Property		10.9
Hedge Fund		
Private Equity		2.7
Infrastructure		4.6
Diversified Growth Fund		5.9
Liability Driven Investment		13.0
Multi Asset Credit		4.7
Cash / Temporary Investments		3.0
Net Current Assets – Debtors		
Net Current Assets – Creditors		
Total	55.2	44.8

Pensions Reserve

The Pensions Reserve absorbs 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 accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any 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 come to be paid.

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2017/18 £000's		2018/19 £000's
(28,451)	Balance as at 1 April	(27,486)
	Movement in year:	
2,442	Remeasurement of net defined benefit liability	1,702
(2,535)	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	(2,606)
1,058	Employer's pensions contributions and direct payments to pensioners payable in the year	1,126
965	Total (Increase)/Decrease in Pension Fund Liabilities	222
(27,486)	Balance as at 31 March	(27,264)

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

2017/18 £000's		2018/19 £000's
(75,938)	Balance as at 1 April	(76,624)
	Movement in year:	
(1,747)	Current Service Cost	(1,881)
(2,027)	Interest Cost	(1,930)
(297)	Contributions by scheme participants	(326)
2,059	Benefits Paid	2,165
0	Settlements & Curtailments	0
0	Gain/(Loss) Arising from Demographic Assumptions	4,463
1,326	Gain/(Loss) Arising From Financial Assumptions	(3,294)
0	Liabilities Extinguished On Settlements	0
0	Experience Loss / (Gain) On Defined Benefit Obligation	0
0	Increased Liability Relating To McCloud Judgement	(436)
(686)	Total (Increase)/Decrease in Pension Fund Liabilities	(1,239)
(76,624)	Balance as at 31 March	(77,863)

Reconciliation of fair value of the scheme assets:

2017/18 £000's		2018/19 £000's
47,487	Balance as at 1 April	49,138
	Movement in year:	
1,273	Interest Income	1,244
1,116	Return on Plan Assets (Excluding Amount Included in Net Interest Expense)	969
1,058	Employer Contributions	1,126
(2,059)	Benefits Paid	(2,165)
0	Settlement Prices Paid	
297	Contributions by scheme participants	326
0	Other Actuarial Gains / (Losses)	
(34)	Administration Expenses	(39)
1,651	Total Increase/(Decrease) in Pension Fund Assets	1,461
49,138	Balance as at 31 March	50,599

The assets of the pension fund, relating to the Council, currently represent 65.0% of liabilities (64.1% 2017/18).

Scheme History

2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's		2018/19 £000's
(72,784)	(70,622)	(75,938)	(76,624)	Present Value of Liabilities	(77,863)
42,672	40,684	47,487	49,138	Fair value of assets in the Local Government Pension Scheme	50,599
(30,112)	(29,938)	(28,451)	(27,486)	Surplus/(deficit) on the scheme	(27,264)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The deficit on the pension fund is disclosed on the Balance Sheet under long term liabilities; the total of £77.863 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance on the Pension Reserve of £27.264 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions and/or lump sum payments over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £1,013,000.

The Annual Report of the Dorset County Council Pension Fund is available from Dorset County Council, County Hall, Colliton Park, Dorchester, DT1 1XJ.

30. ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. Employees are normally allowed to carry forward up to five days of untaken leave and up to fifteen hours of flexitime; all leave carried forward at the end of the year is required to be taken by 30 June in the following year.

2017/18 £000's		2018/19 £000's
54	Balance 1 April	54
(54)	Settlement or cancellation of accrual made at the end of the preceding year	(54)
54	Amounts accrued at the end of the current year	54
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
54	Balance 31 March	54

31. PROVISIONS

The following provisions have been made in the accounts for 2018/19. Note 30 contains further detail regarding the provision for accumulated absences.

	Balance 1 April 2017 £000's	Transfers/ Receipts in Year £000's	Payments in Year £000's	Balance 1 April 2018 £000's	Transfers/ Receipts in Year £000's	Payments in Year £000's	Balance 31 March 2019 £000's
Accumulated Absences	54	54	(54)	54	54	(54)	54
Legal Costs	44	0	0	44	0	0	44
NNDR Appeals	617	211	(428)	400	93	(74)	419
Total Provisions	715	265	(482)	498	147	(128)	517

The NNDR Appeal provision reflects the Council's proportionate share of provisions charged to the Collection Fund relating to both current and backdated appeals by business rate payers. The provision reflects the Council's exposure to appeal costs under the Business Rate Retention Scheme that came into operation on 1st April 2013.

32. DEBTORS

2017/18 £000's	Short Term Debtors	2018/19 £000's
251	Trade Receivables	457
203	Prepayments	61
2,238	Other Receivables	3,190
2,692		3,708

2017/18 £000's	Long Term Debtors	2018/19 £000's
1,153	Other entities and individuals	1,110
1,153		1,110

33. CASH & CASH EQUIVALENTS

2017/18 £000's		2018/19 £000's
2,985	Cash held by the Council	2,610
10,855	Short Term Deposits	10,801
13,840		13,411

34. CREDITORS

2017/18		2018/19
£000's		£000's
372	Trade Payables	269
4,493	Other Payables	5,227
<u>4,865</u>		<u>5,496</u>

35. CAPITAL GRANTS UNAPPLIED

Capital grants are monies paid to the Council by third parties. These include Section 106 contributions paid as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The balances of capital grants applied held by the Council during the year were as follows:

	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
	1 April	in Year	in Year	1 April	in Year	in Year	31 March
	2017			2018			2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
RREEF	225	0	0	225	0	(78)	147
Renaissance	129	0	0	129	0	0	129
Community Infrastructure Levy	0	124	0	124	320	0	444
Cornfactor	84	0	0	84	0	0	84
Quantum/Churchill	59	0	0	59	0	0	59
Other	49	24	(20)	53	178	(106)	125
Meteor	33	0	0	33	0	0	33
Kings Arms – Ducking Stool/Parking	30	0	0	30	0	(3)	27
Cheviot Court – Highway Imprvs	20	0	0	20	0	0	20
MAG Property	20	0	0	20	0	0	20
Haven Caravan Pk	10	0	0	10	0	0	10
Kings Arms – Millstream Improvements	1	0	0	1	0	0	1
Dorset Police & Crime Commissioner	65	0	(65)	0	0	0	0
EA - Coast Protection	0	76	(76)	0	0	0	0
East Dorset District Council	0	10	(10)	0	0	0	0
Heritage Lottery Fund	38	762	(800)	0	1,162	(1,162)	0
Totals	<u>763</u>	<u>996</u>	<u>(971)</u>	<u>788</u>	<u>1,660</u>	<u>(1,349)</u>	<u>1,099</u>

36. FINANCIAL INSTRUMENTS

All financial instruments are shown at fair value. This is assessed as being approximately equal to the carrying amount as set out in Notes 25 and 26 to the Accounting Policies. There is therefore no difference between the carrying amount and fair value. The following financial instruments are included in the Balance Sheet:

2017/18 £000's		2018/19 £000's
	Financial Assets At Amortised Cost	
	Loans and Receivables - Long Term:	
1,153	Other Advances	1,110
	Loans and Receivables - Current:	
1,744	Receivables	2,511
1,000	Short Term Investments	0
13,840	Bank Deposits	13,411
<u>17,737</u>	Total Financial Assets At Amortised Cost	<u>17,032</u>
	Financial Liabilities at Amortised Cost:	
1,608	Payables	1,730
0	Short Term Overdraft	0
<u>1,608</u>	Total Financial Liabilities at Amortised Cost	<u>1,730</u>

Employee Car Loans

The Council makes loans for car purchase to employees in the authority. Loans may be taken out for a period of between one to five years depending upon the age of the vehicle that the loan will fund. The maximum car loan available to employees is £10,000. Interest is charged at the Bank of England Base Rate plus 2%.

Cars purchased through an employee loan must be made available for use on official duties.

The transactions relating to car loans are summarised in the table below:

	2017/18 £000's	2018/19 £000's
Balance as at 1 April	20	29
Car Loans Made	20	19
Repayments	(11)	(16)
Balance as at 31 March	<u>29</u>	<u>32</u>

Risk Management

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

These are required to be approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy for 2018/19, which incorporates the prudential indicators, was approved by the Resources Committee on 7 February 2018. The key issues within the strategy were:

- The Authorised Limit for in 2018/19 was set at £1 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be zero. This is the expected level of debt and other long term liabilities during the year.

The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk and credit risk. These TMPs are a requirement of the Code of Practice and are reviewed annually.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instruments risks in accordance with CIPFA's Prudential Code.

These activities expose the Council to a number of 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 for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Under policies approved by the Council in the annual investment strategy written policies to manage these risks are approved.

Credit Risk:

Credit risks arise from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Treasury Policy Statement which limits investments to the following institutions:

- (a) The Council's account holding bank for deposits requiring less than 24 hours notice of withdrawal irrespective of its credit rating up to a maximum of £4m

- (b) Any bank or building society with a UK branch, with at least the following ratings:
 - (i) long term Fitch A-, Moody's A3, S & P A-; and
 - (ii) Sovereign Fitch AA, Moody's Aa2, S & P AA
- (c) An unrated Building Society with society assets in excess of £250m, only as advised by the Council's Treasury Management Advisors, Arlingclose Limited, up to a maximum investment per institution of £1m for a maximum time period of 100 days. The maximum overall limit for unrated Building Societies will be £3m.
- (d) A bank with a long term rating of Fitch BBB+, Moody's BAA1 or S&P BBB+ only as advised by the Council's Treasury Management Advisors, Arlingclose Limited, up to a maximum investment per institution of £1m for a maximum time period of 100 days. The maximum overall limit for Banks in this criterion will be £3m.
- (e) Any British Local Authority, whether rated or not, up to a maximum of £2m. The maximum time limit for a Local Authority investment is 364 days.
- (f) AAA Rated Money Market Funds, up to a maximum of £2m for Funds with assets up to £1bn, and up to a maximum of £2m for Funds with assets of £1bn or more. The maximum amount that can be placed with a single Money Market Fund provider is £2m. The maximum amount of the Council's total portfolio that can be held with MMFs is £4m. The maximum notice period for a MMF investment is 364 days.
- (g) UK Government

The time limit and investment limit for banks and building societies is linked to the credit rating of the counterparty as follows.

Credit Rating (Lowest)	Time Limit	Counterparty Limit
AAA, Aaa, AAA	364 days	£3 million
AA+, Aa1, AA+	364 days	£3 million
AA, Aa2, AA	364 days	£2 million
AA-, Aa3, AA-	364 days	£2 million
A+, A1, A+	364 days	£2 million
A, A2, A	100 days	£2 million
A-, A3, A-	100 days	£2 million

For a counterparty to be eligible for investment they must have a minimum of two ratings from the three rating agencies.

The maximum amount that may be invested with any one non UK country, UK bank, institution, or group of institutions with the same parent is shown in the table above according to the credit rating of the counterparty. There will be no limit for money deposited with the UK Government.

The Council has no historical experience of default on loans made to financial institutions and the maximum exposure is therefore judged to be negligible. The funds invested with the classes of institution at the 31 March were as follows:

2017/18			2018/19	
Amount £000's	No. of Loans	Institution	Amount £000's	No. of Loans
0	0	Banks – Fixed	0	0
3,322	1	Banks – Instant Access	3,511	1
0	0	Building Societies	0	0
2,000	1	Money Market Funds	0	0
9,850	12	Debt Management Office	10,800	3
0	0	Local Authorities	0	0
15,172	14	Total	14,311	4

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of up to £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Debts due to the Council are recorded as they become due and the item "debtors" in the Balance Sheet represents the amounts due during the year which remain unpaid at the year end, from which a sum is deducted as a provision for bad debts. This provision is calculated by analysing the age of the debts and setting aside an amount dependent on the age of those debts outstanding. The bad debt provisions are calculated as follows:

- Sundry Debtors – calculated as 10% to 90% of debtors outstanding depending upon age
- Housing Benefits – calculated as 99% of total debts outstanding
- Council Tax – calculated as between 5% and 100% of the debt depending upon age
- National Non Domestic Rates – Calculated as between 10% and 100% of the debt depending upon age

The Council does not generally allow credit for customers. As at 31 March 2019 the Council had £1,623,085 (£1,352,429 2017/18) of sundry debts outstanding. The outstanding amount can be analysed as follows:

	2018/19
	£000's
Less than 30 Days	523
31 – 60 Days	625
61 – 90 Days	18
91 - 120 Days	51
121 - 180 Days	118
Over 181 Days	288
Total	<u>1,623</u>

The requirements of IFRS9 Financial Instruments, has been considered in relation to the impairment of the Council's receivables. The Council takes the simplified approach, where impairment losses are based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be the 12-month expected credit losses.

Liquidity Risk: The Council models its cash flow to ensure that cash resources are adequate, though not excessive, and that borrowing arrangements and overdraft or standby facilities are available at all times to enable the Council to achieve its business objectives.

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.

Market Risk: The Council monitors the treasury management policies and objectives to ensure that it is not compromised by adverse market fluctuations in the value of the principal sums invested, and will seek to protect the Council from the effects of such fluctuations. The key risks are described below:

- **Interest Rate Risk:** The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Interest rates are reviewed by the Senior Accountant as part of the ongoing monitoring arrangements to ensure that as far as is possible investments are made so as to maximise the return to the Council having regard to the limits imposed by the Treasury Policy Statement. Borrowings, particularly the spread of loan maturity dates, will be kept under active review by the Senior Accountant to ensure that the Council's exposure to interest rate variations is minimised.
- **Price Risk:** The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices.
- **Foreign Exchange Risk:** The Council has no assets or liabilities denominated in foreign currencies and thus has no exposures arising from movements in exchange rates.

- **Sensitivity analysis:** Income from investments is a significant element of the Council's budget and generated £93,405 in 2018/19 as disclosed in the Comprehensive Income and Expenditure Statement. A variation of 1% in interest rates would either increase or reduce this income by approximately £180,000.

Inflation Risk: Fluctuations in interest rates are managed with a view to containing interest costs, or securing interest revenues, in accordance with the amounts provided in the budgetary arrangements.

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on treasury management activities, are controlled as part of the Council's overall strategy for managing its exposure to inflation.

This is achieved by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates or inflation. The above is subject at all times to the consideration and approval, if required, of any policy or budgetary implications.

Credit and Counterparty Risk: The prime objective of treasury management activities is to be the security of the principal sums invested. Accordingly, counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and investment activities will be limited to the instruments, methods and techniques as set out in the Treasury Management Policy Statement.

The counterparty policy, with respect to those institutions from whom the Council may borrow or with whom funds may be invested is set out in the Treasury Management Policy Statement.

Refinancing Risk: The Council is not currently exposed to any refinancing risk. However, any borrowing, private financing and partnership arrangements subsequently entered into will be negotiated, structured and documented, and the maturity profile of the monies so raised will be managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

Legal and Regulatory Risk: The Council's Monitoring Officer ensures that all of the Council's treasury management activities comply with its statutory powers and regulatory requirements. The Council demonstrates such compliance, if required to do so, to all parties with whom it deals in such activities. The s151 Officer ensures that Counterparties possess the necessary powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and any fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonably possible, seeks to minimise the risk of these impacting adversely on the Council.

Fraud Error Corruption and Contingency Arrangements: The Council identifies the circumstances which may expose it to the risk of loss through fraud, error corruption or other eventualities in its treasury management dealings and maintains suitable systems, procedures and contingency arrangements to this end.

37. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The net credit balance of £275k is made up of Christchurch's share of the NNDR surplus plus amounts for renewable energy totalling a credit of £160k and Christchurch's share of the Council tax surplus of £115k credit.

2017/18 £000's		2018/19 £000's
80	Balance at 1 April	636
556	Amount by which council tax and business rate income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated in the year in accordance with statutory requirements	(361)
636	Balance 31 March	275

38. TRADING ACCOUNTS

The Council has established six trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. It should be noted that budgets for the services include any income from investment properties in that area, but these cannot be included here. The trading operations include running the beach hut and mooring services and owning and running industrial units. All of these activities generate income.

		2016/17	2017/18	2018/19	Cumulative (Surplus)/Loss over three year period £000
		£000's	£000's	£000's	
Beaches and Harbour	Turnover	(397)	(384)	(205)	
	Expenditure	399	485	438	
	(Surplus)/Deficit	2	101	233	336
Mudford Sandbank	Turnover	(778)	(781)	(956)	
	Expenditure	312	435	348	
	(Surplus)/Deficit	(466)	(346)	(608)	(1,420)
Grange Road	Turnover	(34)	(5)	(1)	
	Expenditure	265	70	88	
	(Surplus)/Deficit	231	65	87	383

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Market	Turnover	(86)	(74)	(73)	
	Expenditure	53	52	52	
	(Surplus)/Deficit	(33)	(22)	(21)	(76)
Misc. Corporate Properties	Turnover	(33)	(32)	(48)	
	Expenditure	80	55	109	
	(Surplus)/Deficit	47	23	61	131
Highcliffe Castle	Turnover	(364)	(281)	(302)	
	Expenditure	765	834	869	
	(Surplus)/Deficit	401	553	567	1,521

39. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts relate mainly to future payments where the Authority has disposed of an asset through a finance lease and the sale price will be recouped over the period of the lease agreement. Amounts are released to the Useable Capital Receipts Reserve each year and the corresponding Long Term Debtor is written down. More information on the accounting for Finance Leases can be found within Accounting Policy 14.

	Deferred Capital Receipts £000's
Balance as at 1 April 2017	1,155
Transfer To CIES Under IFRS Transition Arrangements	(22)
Transfer To Capital Receipts	(33)
Other Transfer	(4)
Balance as at 1 April 2018	1,096
Transfer To CIES Under IFRS Transition Arrangements	(23)
Transfer To Capital Receipts	(33)
Other Transfer	0
Balance as at 31 March 2019	1,040

40. CONTINGENT LIABILITIES

There are no contingent liabilities as at the balance sheet date.

41. EVENTS AFTER THE BALANCE SHEET DATE

The audited Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 July 2019.

There are no events after the balance sheet date that require disclosure within the Statement of Accounts.

42. ISSUE OF THE STATEMENT OF ACCOUNTS

The audited Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 July 2019.

**The
Collection Fund**

Collection Fund

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

2017/18 Business Rates £000's	2017/18 Council Tax £000's	2017/18 Total £000's		2018/19 Business Rates £000's	2018/19 Council Tax £000's	2018/19 Total £000's
			Income			
	(35,609)	(35,609)	Council Tax Receivable	0	(38,091)	(38,091)
(20,176)	0	(20,176)	Business Rates Receivable	(21,113)	0	(21,113)
0	0	0	Deferred Amounts From Previous Years	0	0	0
			Apportionment Previous Year Surplus/Deficit:			
(119)	0	(119)	Central Government	0	0	0
(22)	0	(22)	Dorset County Council	0	0	0
(2)	0	(2)	Dorset & Wiltshire Fire Authority	0	0	0
(95)	0	(95)	Christchurch Borough Council	0	0	0
(158)	0	(158)	Transitional Protection Payment	(20)	0	(20)
(541)	0	(541)	Reduction in Appeal Provision	0	0	0
	0	0	Reduction in Bad Debt Provision		0	0
(21,113)	(35,609)	(56,722)	Total Income	(21,133)	(38,091)	(59,224)
			Expenditure			
			Apportionment of Previous Year Surplus/Deficit			
0	0	0	Central Government	315	0	315
0	50	50	Christchurch Borough Council	252	38	290
0	332	332	Dorset County Council	57	260	317
0	18	18	Dorset & Wiltshire Fire Authority	6	14	20
0	50	50	Dorset Police & Crime Commissioner	0	38	38
0	450	450		630	350	980
			Precepts, Demands and Shares			
9,609	0	9,609	Central Government	10,303	0	10,303
7,687	3,853	11,540	Christchurch Borough Council	8,242	4,033	12,275
1,730	26,038	27,768	Dorset County Council	1,855	28,054	29,909
192	1,385	1,577	Dorset & Wiltshire Fire Authority	206	1,450	1,656
0	3,819	3,819	Dorset Police & Crime Commissioner	0	4,121	4,121
318	0	318	Christchurch Borough Council Share Renewable Energy	210	0	210
19,536	35,095	54,631		20,816	37,658	58,474
			Charges to Collection Fund			
0	0	0	Write offs of Uncollectable Amounts	0	0	0
74	66	140	Increase in Bad Debt Provision	114	75	189
0	0	0	Increase in Appeals Provision	47	0	47
74	0	74	Cost of Collection	75	0	75
0	0	0	Transitional Protection Payments	0	1	1
148	66	214		236	76	312
19,684	35,611	55,295	Total Expenditure	21,682	38,084	59,766
(1,429)	2	(1,427)	(Surplus)/Deficit During Year	549	(7)	542
209	(1,065)	(856)	(Surplus)/Deficit B/Fwd 1 April	(1,220)	(1,063)	(2,283)
(1,220)	(1,063)	(2,283)	(Surplus)/Deficit C/Fwd 31 March	(671)	(1,070)	(1,741)

Notes to the Collection Fund

1. PROVISION FOR UNCOLLECTABLE AMOUNTS

The provision for uncollectable amounts is based on a realistic assessment of likely non-collection using the guidelines issued by CIPFA. An assessment is necessary in order to provide a basis for budgeting for losses when setting the Council Tax.

2. COLLECTION OF NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. Under the Business Rates Retention Scheme local authorities keep an element of the business rates that they collect locally, and thus share in the risks and rewards of business decline or growth in their own areas.

The government sets percentages in order to share the business rates collected between the billing authority (40%), the government (50%), the County Council (9%) and the Fire Authority (1%).

As part of the 2018/19 finance settlement the government set a Baseline Funding Level for Business Rates for Christchurch of £957,568, which is the amount estimated as required to help fund council services for the year. However, Christchurch's 40% share of the business rates it collects in its area is much more than this baseline funding level and so the Council pays a tariff to the Government of £6,507,311 which was set as part of the 2018/19 finance settlement. This tariff is used to fund authorities who fall below their baseline funding level and so require a "top up". Transactions within the Comprehensive Income and Expenditure Statement (CIES) include the actual business rate income collectable for 2018/19 less any levy payments for additional income collectable in excess of the baseline funding level, and less the tariff payable for the year. However, the amount that the Council can recognise in its General Fund is defined by Statute and the figures within the CIES are adjusted for within the Movement In Reserves Statement to come back to the amount of business rate income estimated as receivable in January proceeding the start of the financial year and the forecast surplus or deficit on the Collection Fund estimated at this time.

The transactions relating to Business Rates in the Collection Fund are restricted to the total actual Business Rates receivable for the year, the shares of business rates collectable as estimated at the start of the year and actually paid to authorities during the year, and certain charges for provisions, write offs and cost of collection. There are also adjustments for previous year's surplus or deficits.

The non-domestic rateable value as at 31 March 2019 was £51,493,125 (£51,005,140 2017/18). The uniform business rate multiplier for 2018/19 was 49.3p (47.9p 2017/18).

The income collectable from business rate payers that is disclosed in the Collection Fund is £21,112,699. This is calculated by taking the rateable values of properties during the year and multiplying this by the uniform business rate multiplier to give a figure of £24,689,041 for business rates payable. This figure is then reduced by £3,576,342 that relates mainly to mandatory and discretionary relief to businesses.

3. DISTRIBUTION OF BUSINESS RATES SURPLUS/DEFICIT

The surplus/deficit on the Collection Fund is apportioned to Dorset County Council, Dorset & Wiltshire Fire Authority, Central Government and Christchurch Borough Council as follows:

2017/18 Distribution £000's		2018/19 Distribution £000's
(110)	Dorset County Council	(60)
(12)	Dorset & Wiltshire Fire Authority	(7)
(488)	Christchurch Borough Council	(268)
(610)	Central Government	(336)
(1,220)	Total Collection Fund (Surplus)/Deficit	(671)

Christchurch Borough Council's element of the Collection Fund surplus or deficit is shown at the foot of the Balance Sheet as part of reserves. The surplus or deficit for the other bodies is included within the creditors (for surpluses) or debtors (for deficits) shown on the Balance Sheet.

4. CALCULATION OF COUNCIL TAX BASE

Council Tax income derives from charges raised according to the value of residential properties which have been classified into one of eight valuation bands (Band A, the lowest band may also be reduced where the occupant is disabled and is represented in the table below by a notional band AA). The valuations are based on values as at the valuation date of 1 April 1991.

The total number of properties in the Borough is calculated by counting the number of chargeable dwellings in each band, deducting any allowances for discounts and council tax support and multiplying the result by the proportion of the band in relation to Band D to give the Total Relevant Amount. This is then adjusted for the anticipated collection rate to produce the tax base on which the Council Tax for the area is calculated.

The Council estimated the Tax Base for 2018/19 to be 19,948, which was used subsequently in calculating the levels of Council Tax. This figure is derived from the total number of chargeable dwellings in the District, adjusted for dwellings where discounts apply and converted to an equivalent number of band D dwellings. The table below shows the relevant amount for each valuation band:

Band	Estimated No. of Relevant Amount
A (Disabled)	1.9
A	603.8
B	1,094.9
C	4,151.4
D	5,229.4
E	5,538.4
F	2,148.2
G	1,214.4
H	66.0
Parish Rounding Adj	(0.2)
	20,048.2

The Relevant Amount is then reduced by 0.5%, to allow for an estimated collection rate of 99.5%, giving a Tax Base of 19,948 (19,624 2017/18).

5. BAND D CHARGE

After consideration of the financial requirements for the year, the Council set its Council Tax for a Band D property at £200.82 to cover borough council net expenditure of £4,005,949 (excluding parish precepts).

6. COLLECTION OF COUNCIL TAX

The Council Tax income included in the Taxation & Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carried forward surplus or deficit on the Collection Fund as at 31 March 2019.

This amount is then adjusted for the Authority's share of the surplus or deficit on the Collection Fund as at 31 March 2018 that has actually been distributed or recovered in the current year. The difference between the income included in the Taxation & Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be debited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement In Reserves Statement.

7. DISTRIBUTION OF COUNCIL TAX SURPLUS/DEFICIT

The surplus/deficit on the Collection Fund is apportioned to Dorset County Council, Dorset Police Authority, Dorset & Wiltshire Fire Authority and East Dorset District Council as follows:

2017/18		2018/19
Distribution		Distribution
£000's		£000's
(791)	Dorset County Council	(797)
(116)	Dorset Police Authority	(117)
(41)	Dorset & Wiltshire Fire Authority	(41)
(115)	Christchurch Borough Council	(115)
<u>(1,063)</u>	Total Collection Fund (Surplus)/Deficit	<u>(1,070)</u>

Christchurch Borough Council's element of the Collection Fund surplus or deficit is shown at the foot of the Balance Sheet as part of the reserves. The surplus or deficit for the other bodies is included within the creditors (for surpluses) or debtors (for deficits) shown on the Balance Sheet.

Annual Governance Statement

Annual Governance Statement

Christchurch Borough Council

2018-2019

1. Scope of Responsibility

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

In discharging this overall responsibility, Christchurch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk. The overall aim of the Council's governance arrangements are to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Christchurch Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Good Governance Framework 2016. A copy of the authority's code is on our website www.dorsetforyou.gov.uk or can be obtained from;

The Chief Executive
Christchurch Borough Council
Civic Offices
Bridge Street
Christchurch
BH23 41AZ

The statement explains how Christchurch Borough Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to carry out an annual review of the effectiveness of its system of internal control and prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led the delivery of appropriate services and value for money. The attainment of sustainable

economic, social, and environmental outcomes is a key focus of governance processes and structures.

The system of internal control is a significant part of that framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Christchurch Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Christchurch Borough Council for the year ended 31st March 2019 and up to the date of the approval of the statement of accounts.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the CIPFA/SOLACE Good Governance Framework 2016 and demonstrates how it complies with the principles.

The framework defines the principles that should underpin the governance of the Council. The framework centres on the following 7 principles, with principles A and B permeating the implementation of principles C to G.

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Local Code of Corporate Governance and all other documents that form part of the Governance Framework are available on the authority's website www.dorsetforyou.gov.uk.

The Council describes its vision, aims and objectives for Christchurch and its partnership with East Dorset District Council in the Corporate Plan, the Local Plan and the Partnership Development Strategy. In doing so the Council defines outcomes in terms of sustainable economic, social and environmental benefits.

The Council has adopted a Constitution that sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local

people. This Constitution includes a scheme of delegation, details the roles and responsibilities of the Council its Members and Committees and also includes codes of conduct for Members and Officers. The Constitution also contains rules and procedures such as the Financial Procedure Rules and the Contract and Procurement procedure rules. The Constitution and its components are regularly reviewed and sets the tone for behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

A Joint Audit Committee operates to provide independent assurance to the Council with East Dorset District Council on issues such as the effectiveness of the internal control environment.

The Council aims to ensure that all Members and Officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities effectively. The Council recognises the value of a well-trained, competent workforce.

The Council aims to have clear channels of communication with all sections of the community and other stakeholders, to ensure accountability and encourage open consultation. To support this aim the Council has the skills to ensure appropriate consultancy takes place to enable openness and comprehensive stakeholder engagement.

4. Review of Effectiveness of the Governance Framework

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Team (who have responsibility for the development and maintenance of the governance environment), the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Christchurch Borough Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2015).

Both in year and year-end review processes have taken place to review the effectiveness of the Council's Governance Framework. In year review mechanisms include:

- a. The Committee Chairmen are experienced Councillors who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. Members are also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.
- b. Scrutiny Committee arrangements were in operation throughout the year through the Scrutiny & Policy Overview Committee which met on a regular basis. The Committee reviews decisions and actions taken in connection with the discharge of the Council's functions and policy committee decisions. The Committee's work programme supports the Council's Corporate Plan and policy committees in the development of its budget and policy framework by in depth analysis of policy issues. Issues considered during the year include:

- Scheme of Delegation
- The Constitution
- Annual Report on Regulation of Investigatory Powers Act RIPA
- Local Government Reorganisation

Following the enactment of the Localism Act, Christchurch Borough Council created The Ethical Governance Committee. This Committee promotes and maintains high standards of conduct in the Council and assists Members in observing the Code of Conduct.

Under the provisions of the Localism Act 2011 and the Members Code of Conduct, in 2018/19 there was 1 Member of the Christchurch Borough Council reported to the Monitoring Officer for allegations of breach of the Code of Conduct.

As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), the Partnership Democratic and Legal Services Manager (Monitoring Officer) and the Strategic Director - Finance (Chief Financial Officer) meet when required.

The Monitoring Officer role is fulfilled by the Partnership Democratic and Legal Services Manager, who in turn reports to the Strategic Director – Finance (Chief Financial Officer). The Monitoring Officer has access to the Chief Executive and the Corporate Management Team, but is not a member of the Corporate Management Team.

The Strategic Director - Finance also plays an active role in the on-going review and maintenance of the governance arrangements, for example, providing financial support to decision making and supporting and advising the Joint Audit Committee.

The Joint Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2015, the Joint Audit Committee also reviews the effectiveness of the Council's system of internal audit.

Additionally, the Joint Audit Committee reviews and approves the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the external auditor, including the Annual Audit Letter.

The Council's Internal Audit Section operates to the standards set out in the United Kingdom Public Sector Internal Audit Standards, and the Institute of Internal Auditors' Code of Ethics and International Standards. The Internal Audit Charter for the Internal Audit Service and the strategy for delivering the internal audit plan were agreed by the Joint Audit Committee. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Internal Audit Service works to a risk-based Internal Audit Plan that is approved by the Section 151 Officer, following consultation with Service Unit Heads. The Annual Audit Plan (and progress against it) is reported throughout the year to the Joint Audit Committee and the Corporate Team.

This supports and assists management in determining the interventions necessary to optimise the achievement of the intended outcomes of plans and service delivery.

In addition the Internal Audit Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to management and the Joint Audit Committee.

The review and monitoring of strategic risks is undertaken by the Corporate Team and reported regularly to the Joint Audit Committee. Managing risks and performance through robust internal control and strong public financial management.

Grant Thornton's Audit Findings Report and Annual Audit Letter are considered by the Corporate Team and the Joint Audit Committee on behalf of the Council. The Council ensures that corrective action plans are in place for key issues identified through these reviews.

Services use a range of national and local measures to monitor and report progress to Strategic Directors and Portfolio Holders on delivering their business plans.

The on-going review of the governance arrangements and the control environment included:

INTERNAL AUDIT OPINION

Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.

The opinion concludes on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	4%
Adequate Assurance - Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.	15	88%
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	2	8%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
Total Number of Audit Reviews Completed	18	
Reviews currently 'work in progress'	6	

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Total Number of Audit Reviews to be undertaken in 2018/19	24	

18 audit reviews have been finalised and reported in 2018/19. 6 are currently work in progress.

The Assurance Framework demonstrates that key assurances have been reviewed across all of the Council's services.

In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review. 65 days of auditor resource was purchased from Portsmouth City Council.

Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of Internal Audit that:

- Managers are aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified.
- The systems and internal control arrangements have generally been adequate.
- Where significant weaknesses were identified during the year, high priority recommendations have been made and accepted by Management. Progress made against the high priority recommendations are monitored quarterly by the Joint Audit Committee.
- Counter fraud arrangements are in place to deter and detect fraud, however, these arrangements require updating.

It is therefore the opinion of Internal Audit that an overall assurance level of 'adequate' is given for the adequacy and effectiveness of the Councils' framework of governance, risk management and control.

- A CIPFA/SOLACE checklist is used to assess the Authority's performance against seven core principles of good governance.
- Annual Management Assurance Statements produced and signed off by Service Unit Heads in respect of governance and internal control issues.
- Review of external audit and other inspection agency reports received during the year, as follows:

(i) Grant Thornton – Annual Audit Letter 2017/18

The Annual Audit Letter was reported to the Joint Audit Committee in September 2018 and summarised the findings from the 2017/18 audit and included the messages arising from Grant Thornton's audit of the Council's financial statements and the results of the work

undertaken to assess the Council's arrangements to secure value for money in the use of resources.

The report gave an unqualified opinion confirming that the financial statements were free from material error. The report stated that the financial statements and supporting working papers presented for audit were of a good quality and received by the deadline. The report gave an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. Significant Governance Issues

Governance issues can be put into two groups:

- (i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;
- (ii) Issues that the governance framework has identified and which require action to mitigate the exposure of the Council. These are all contained within the Strategic Risk Register.

In the first group there were no elements of the framework for which the judgement is that Christchurch Borough Council was not compliant.

5.1 Elements of the Governance Framework where Improvement is Necessary

There were no elements of the Governance Framework which were considered to need addressing.

5.2 Elements from the Strategic Risk Register

The second group are issues that involve a significant financial or reputational risk to the Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. Many of the headings are the same as in previous years although the details change over time.

- a) Not responding adequately to a Business Continuity Event.

A significant amount of work has been undertaken in recent years to improve the Council's resilience should an event arise that interrupts our business continuity. It is recognised that not responding adequately to such an event could still have a critical impact upon the Council, although the probability of this happening is reduced through the mitigating actions that have been put in place. Further mitigating actions required include reviewing the Council's data centre resilience measures.

- b) Recruitment and Retention

The Council has recognised the increasing difficulty that some specialist areas of work are having in recruiting suitably qualified and experienced members of staff. This is expected to be compounded by Local Government Reorganisation in Dorset. This risk did not materialise to such an extent that it was an issue.

c) Development Management

Additional pressure and volumes within the Development Management service have increased the risk of delays and the potential for complaints which could result in legal action being taken against the Council. The Council has already put in place significant improvements and control measures to reduce this risk and recognises that this level of improvement must continue and be closely monitored. Service Improvements continued throughout the year.

d) Resilience of ICT Systems

The Council has recognised that the increasing transfer to new ways of working for officers, Members and our stakeholders, places considerable reliance on multiple ICT systems and integrated communication networks. Some of this reliance is placed on third party suppliers. The Council has recognised the risk to the potential interruption to our service delivery and is working to mitigate this risk as much as possible to reduce the impact of temporary interruptions on officers, Members and our stakeholders. Further mitigating actions to be taken include renewal of the ICT Strategy, reviewing data centre resilience arrangements and replacement of legacy servers.

e) Capacity

The Council has recognised that the rapid pace of a change being brought about by LGR is affecting the capacity of some teams. The partnership has identified a number of mitigation controls to support staff as much as possible through what can be a challenging time and monitored indicators such as staff absence.

G. FARRANT
CHIEF EXECUTIVE
31 MARCH 2019

V. SLADE
LEADER OF THE COUNCIL
31 MARCH 2019

On behalf of Christchurch Borough Council.

Independent auditor's report to the members of Bournemouth Christchurch and Poole Council in respect of Christchurch Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Christchurch Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, notes to the Core Financial Statements, the Collection Fund and notes to the Collection Fund, 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 2018/19.

In our opinion, the financial statements:

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

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

Emphasis of Matter - Local Government Reorganisation in Dorset

We draw attention to the disclosures made in note 7 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 7, the Authority ceased to exist from 1 April 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019, the Authority's services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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, the Narrative Report and the Annual Governance Statement 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Financial 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 pages 12 to 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Christchurch Borough Council is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 Christchurch Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Bournemouth, Christchurch and Poole Council, as a body, in respect of Christchurch Borough Council 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 members of Bournemouth, Christchurch and Poole Council, those matters we are required to state to them in an auditor's report in respect of Christchurch Borough Council and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bournemouth, Christchurch and Poole Council and the members of Bournemouth, Christchurch and Poole Council as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Walling, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Glossary Of Terms

Glossary of Terms

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be 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 worth and are measurable in terms of money.

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.

Billing Authority

This is an authority which has the task of collecting the council tax and business rates from within its geographical area.

Capital Expenditure

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

Capital Receipts

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

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 open spaces.

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.

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.

Curtailement

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.

Defined Benefit Scheme

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

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed 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.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers as set out in the Local Government (Discretionary Payments) Regulations 1996.

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 by an entity 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

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

Exceptional Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

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 fixed asset to the lessee.

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.

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

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

Non-financial fixed assets that do not have physical substance and are controlled by the entity through custody or legal rights. An example of an intangible asset 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.

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.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Net Book Value

The amount at which fixed 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 the particular asset in its existing condition and in 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.

Outturn

The final actual income and expenditure earned or incurred in the financial year.

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 it requires to fund its expenditure by making a levy on the relevant billing authorities in its area.

Prior Period Adjustments

Those 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.

Prior Period Errors

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

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) the 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) the 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.

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.

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

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

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.

Vested Rights

For active members of a defined benefit scheme, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners their preserved benefits and for pensioners, pensions to which they are entitled. Vested rights include related benefits to spouses and other dependents.



STATEMENT OF ACCOUNTS 2018/19

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NARRATIVE REPORT

Introduction

Welcome to Borough of Poole's Annual Statement of Accounts for 2018/19. The purpose of this narrative report is to provide a guide to the accounts and to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.

The Accounts summarise the Council's transactions and its financial position for the financial year ended 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2016, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice (SeRCOP) 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

Local Government Reorganisation in Dorset

Following parliamentary approval the Secretary of State for the Ministry of Housing, Communities and Local Government decided to implement a locally-led proposal to replace the nine councils in the geographical area of Dorset with two new unitary councils from 1 April 2019. The creation of these new authorities was a strategic response to the ongoing financial challenges faced by all local authorities, particularly those upper tier authorities facing significant demand and cost increases in Adults and Children Social Care services. Cutting out duplication and lowering administration costs delivered by the reduction from nine local authorities to two in Dorset was designed to improve Value for Money (VfM) for local council taxpayers and better enable the protection of quality front line services to the community and residents.

This means that 2018/19 was the final year for this Council and the final time that a specific Statement of Accounts will be produced. This also means that the Borough of Poole does not have a budget for 2019/20. Instead the budget for the new unitary council of Bournemouth, Christchurch and Poole (BCP Council) will cover the services delivered within Poole and is available through the BCP Council website.

Borough of Poole

The Council's 2018/19 budget was developed within the context of the Council's Corporate Strategy which provided a clear long term vision for Poole and the ambition not only for it to be a great place to live, learn, work, play and do business, but also a place where the most vulnerable people in the community are looked after.

The response to the challenge as summarised by the Poole 2020 strategy, was an approach which focused on acting responsibly and preparing for the future by changing the way the Council worked. The emphasis was that the Borough of Poole must live within its means and to achieve this they would become more entrepreneurial using best business practice and become more efficient in the way decisions are made and services delivered. To achieve this Poole Council continued to look at proposals such as;

- Further cost cutting and redesigning of services;
- Working more closely with partners to deliver services together;
- Generating new income streams to support local services;
- Reviewing fees and charges;
- Raising Council Tax including the implementation of the Governments social care precept (it should be noted that Poole had the lowest Council Tax in Dorset over the 17 years up to and including 2018/19).

It was though absolutely clear that to continue to do the best for its residents the Council had to continue to make difficult decisions and although every effort was made to deliver its priorities and protect local services, the scale of savings required would inevitably mean;

- Changes in the way services are delivered (lower cost ways of delivering services);
- Some service reductions.

In support of this strategy and specifically in relation to the development and approval of a balanced budget for 2018/19 the Council assessed the following workstreams;

- Delivering a range of proposals which will generate positive returns to the Council;
- Investing in key Council priorities;
- Encouraging and incentivising people into work;
- Continuing to develop partnerships with other Public Sector Bodies;
- Redesigning services and driving out efficiencies;
- Exploring a Digital Council approach;
- Considering commercialisation of its services where appropriate;
- Considering levels of fees and charges;
- Reviewing Council pay and cost of employment policies.

Despite the climate of continued austerity, the Council continued to deliver its strategic role in the community. The strategy also recognised that the Government's aim to put the public finances on a sustainable footing. The Government, as part of this approach, presented the Borough of Poole with a significant financial challenge by reducing its core funding for local services to nil by April 2019. This represented a reduction equivalent to approximately £36m per annum.

National Picture

The new Bournemouth, Christchurch and Poole Council has inherited, and will therefore operate in, a challenging financial environment.

Nationally a Council's funding is significantly influenced by the Government's cyclical spending reviews which set out the resources they will allocate to the various Government Departments. Within those broad allocations amounts awarded to individual authorities were previously set out in a four year Local Government Finance Settlement. Therefore there is an extremely high level of uncertainty in the council financial planning as the Government have announced that the 2019 Spending Review (SR19) will be concluded alongside the 2019 Budget. In all probability this means that it will not be until late October that we begin to see the shape of the resources being made available to local government for 2020/21. Connected to this is the fact that 2019/20 was the final year of the previous four year local government finance framework. This means that as the actual Local Government Finance Settlement is not likely to be published before December 2019 it is unlikely that BCP Council will have any certainty on a major section of its financial planning framework until between nine and ten weeks before it is required to approve its 2020/21 Budget.

This level of uncertainty is increased as the formulae used for allocating resources from national to local government is being fundamentally reviewed via what is referred to as a "Fair Funding Review". Alongside this the government is considering allowing councils to retain a greater share of their business rates with the expectation that they directly fund more services.

The Financial Position for 2018/19

Despite the continued loss of funding from Central Government and increasing demands and pressures on services an overall balanced position against the working budget was achieved.

In developing its financial strategy the Council had a clear ambition to deliver by 2019/20 a sustainable budget not reliant on the use of reserves to continue services that would otherwise be unaffordable.

The outturn figures for the General Fund included in the table below are different to the figures shown within the Comprehensive Income and Expenditure Statement due to financial accounting adjustments required to be shown in the Statement of Accounts under IFRS. These adjustments include capital charges such as depreciation and impairment, and IAS 19 adjustments including Pensions costs and the holiday pay accrual. The Council includes transfers to or from reserves within the outturn as this provides income or contributes to reserves but these amounts are excluded from the Comprehensive Income and Expenditure Statement and are included within the Movement in Reserves Statement. In addition, Schools and the HRA are combined with the General Fund position.

	Actuals	Revised Budget	Variance	Use of Reserves	Net Variance
	£'000	£'000	£'000	£'000	£'000
People - Children	32,249	33,537	(1,289)	1,063	(226)
People - Adult Social Care	39,201	44,571	(5,370)	3,832	(1,538)
People - Other	1,320	2,052	(732)	448	(284)
Places	35,522	36,894	(1,373)	781	(592)
Business Improvement	4,443	4,274	169	603	772
Pensions	2,691	2,716	(25)	-	(25)
Surplus property costs	164	171	(7)	-	(7)
Fisheries and courts	397	319	78	-	78
Staff Restructuring Costs	-	-	-	-	-
Preparation for Local Government Reorganisation	1,277	-	1,277	396	1,673
In-Year Revised Resource Allocations	(13)	(81)	68	-	68
Net Cost of Services	117,251	124,453	(7,202)	7,123	(79)
Corporate Items	(117,251)	(124,453)	7,202	2,202	9,404
Total Outturn	-	-	-	9,325	9,325

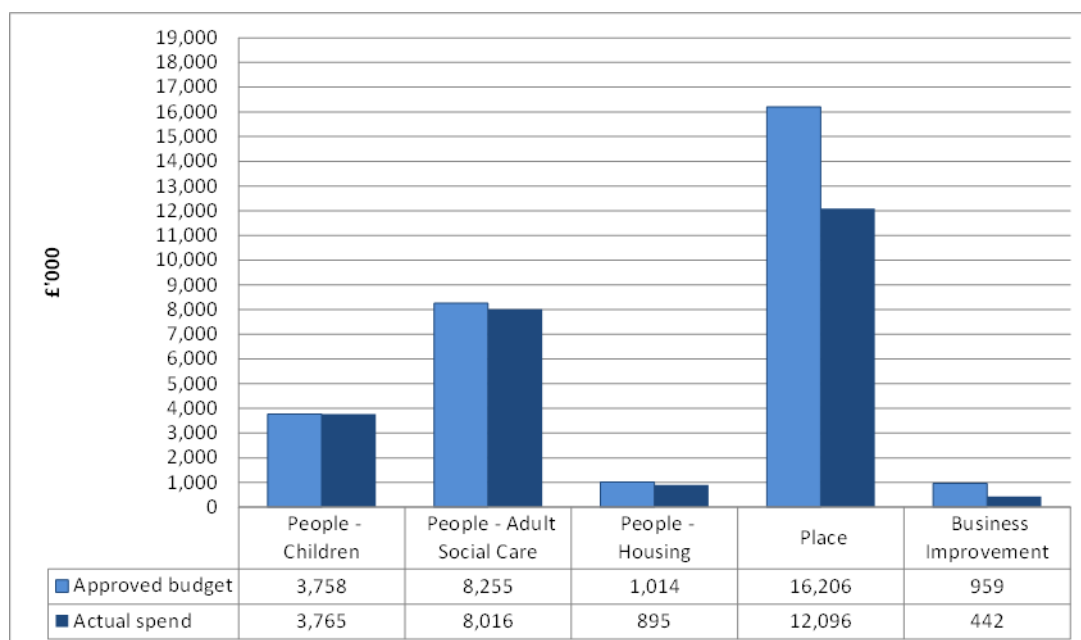
Capital

The Council invested £25.2m in its General Fund capital infrastructure during 2018/19 which represents 84% spend of the final approved resources. This continues to demonstrate the Council's success over recent years in maintaining a high rate of delivery as set out below;

Capital spend against December approved programme each year

	2014/15	2015/16	2016/17	2017/18	2018/19
December approved Programme £m	27.4	23.7	35.4	23.6	30.2
Spend £ million	23.9	22.7	33.2	22.3	25.2
% Spend against Programme	87%	96%	94%	95%	84%

Steady progress has been made in delivery of approved capital schemes across most of the Council's Themes. Final spend in the Place Theme reflects the latest delivery timelines of specific capital projects including fleet vehicle replacement, and parks and seafront development projects, with spend now rescheduled to 2019/20. The DLEP funded Townside Access Scheme planned spend in 2018/19 has also reduced by over £2m Investment in the Council's ICT Investment Plan (Business Improvement) will continue into 2019/20. A summary of Portfolio performance is presented in the chart below:



Housing Revenue Account

The Housing Revenue Account for the period 1 April 2018 to 31 March 2019 has been prepared by Poole Housing Partnership (PHP).

The following table provides the updated position for the year end.

HRA Revenue Account at 31 March 2019

HRA Revenue	Budget £000's	Outturn £000's	Variance £000's
Dwelling Rents	(19,666)	(19,642)	24
Service Charges	(1,253)	(1,261)	(8)
Other Income	(275)	(279)	(4)
General Fund Contribution (a)	0	(197)	(197)
Revenue Income	(21,194)	(21,379)	(185)
Management Fee (b)	7,784	7,507	(277)
Utilities & Overheads (c)	2,242	2,126	(116)
Depreciation	4,704	4,797	93
RCCO (d)	3,333	3,876	543
Cost of Capital	3,134	3,073	(61)
Total Expenditure	21,197	21,379	182
(Surplus)/Deficit	3	(0)	(3)

Notes:

(a) This is a contribution from the General Fund towards the cost of buying back 2 properties which did not meet the HRA criteria but as much-needed 3 and 4 bed houses a contribution was from General Fund s.106 funding. .

(b) At the March PHP Board the management fee was reduced to the level forecast at quarter 3 with any additional surplus at year end added to the PHP reserves.

(c) The main variance within utilities and overheads relates to a reduction in the bad debt provision of £95k following a review.

(d) The RCCO is adjusted to reflect the net movements on income and expenditure across the HRA with the contribution above budget of £543k reflecting the favourable outturn position.

Pensions Liability

The Council's pension liability has been calculated in accordance with International Accounting Standard 19 (IAS 19 Employee Benefits) as assessed by the pension fund actuary.

The valuations and financial assumptions required by IAS 19 produce volatile numbers from year to year. In addition, extreme fluctuations as a result of the economic climate during recent financial years means the actuarial assumptions are similarly volatile.

Pensions need to be viewed in the long term and conclusions should not be drawn at a point in time, particularly during major changes in the economic climate.

Statement of Accounts

The Annual Statement of Accounts is made up of the following primary statements:

Comprehensive Income and Expenditure Statement - This statement is fundamental to understanding the Council's activities. It brings together all of the functions of Borough of Poole and summarises all of the resources that the Council has generated, used or set aside in carrying out its activities during the year.

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves i.e. those reserves that the Council is not able to use to provide services. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services. More detail is shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This statement is fundamental to understanding the Council's financial position at 31 March 2019. It shows the balances and reserves at the Council's disposal for its future use, long term liabilities and the fixed and net current assets employed in its activities, together with summarised information on the fixed assets held.

Cash Flow Statement - This statement summarises the flows of cash in and out of the Council arising from transactions with third parties. Cash is defined for the purpose of this statement as cash in hand and cash equivalents.

These primary statements are further supported by notes and other financial information, including:

Housing Revenue Account (HRA) Income and Expenditure Statement - The Housing Revenue Account (HRA) reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

The HRA financial statements are presented in three sections:

- Housing Revenue Account Income and Expenditure Statement which shows the economic cost of providing housing services for the financial year rather than the amount to be funded from rents and government grants;
- Movement on the Housing Revenue Account Statement which reconciles the increase or decrease on the HRA in the year (which includes the statutory amounts required to be charged to the HRA for dwelling rent setting purposes) to the HRA Income and Expenditure Statement (which shows the true economic cost of providing the HRA service);
- Notes to the Housing Revenue Account financial statements which provide further financial information to enhance understanding of the HRA statements.

The Collection Fund – This statement reflects the Council's statutory obligation as the billing authority to maintain a separate Collection Fund. The Collection Fund is managed by the Council to

receive business rates and council tax income. It is used to collect payments from business rate and council tax payers and to make payments to Central Government, Borough of Poole and the Fire Authority in respect of business rates, and to the Police and Fire Authorities and Borough of Poole in respect of council tax.

The Statement of Responsibilities for the Statement of Accounts - This statement sets out the respective responsibilities of the Council and the Executive Director (Finance) as the Council's Section 151 Officer.

The Annual Governance Statement – This statement describes the Council's governance framework with reference to the six principles set out in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. It comments on the effectiveness of these arrangements and identifies any significant governance issues which the Council needs to address going forward. The governance framework comprises of the systems and processes, culture and values, by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.

Group Accounts - The Code of Practice on Local Authority Accounting defines the tests for determining which entities the Council exercises control over and to what degree they can control these entities and based on this which of these entities are included in the Group Accounts.

The aim of the Group Accounts is to show the overall picture of the activities of the Council including entities it exercises control over and the resources used to carry out these activities. The Group Accounts comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statements;
- Group Balance Sheet;
- Group Cash Flow Statement.

In accordance with the Code of Practice where Group Accounts figures are not materially different from those of the Council's single entity accounts no additional disclosure is required in the notes to the Group Financial Statements.

Adam Richens FCCA CPFA

Chief Finance Officer and Director of Finance

Bournemouth, Christchurch and Poole Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Council's responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve The Audited Statement of Accounts by 31 July 2019 as specified by the Secretary of State.

2. Chief Financial Officer Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom, is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the financial year ended 31 March 2019.

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

- established suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Financial 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.

3. Chief Financial Officer's certificate

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2019, and its income and expenditure for the year then ended.

A Richens

ADAM RICHENS
CHIEF FINANCIAL OFFICER
30th May 2019

Certification is required by 31 May 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
70,583	(45,877)	24,706	People - Children	76,487	(44,533)	31,954
60,967	(18,887)	42,080	People - Adult Social Care	62,263	(23,271)	38,993
14,446	(12,608)	1,838	People - Other	13,606	(12,286)	1,320
58,591	(22,868)	35,723	Places	59,639	(24,416)	35,223
60,699	(54,708)	5,991	Business Improvement	54,380	(48,702)	5,678
460	0	460	Fisheries and Courts	397	0	397
16,537	(3)	16,534	Non Distributed Costs (NDC)	(763)	(85)	(848)
10,648	(22,034)	(11,386)	Local Authority Housing (Housing Revenue Account)	10,906	(21,265)	(10,359)
292,931	(176,985)	115,946	Cost of Services	276,915	(174,557)	102,358
39,436	(3,278)	36,158	Other Operating Expenditure (see Note 8)	6,751	(1,771)	4,980
10,649	(2,790)	7,859	Financing and Investment Income and Expenditure (see Note 9)	10,527	(3,107)	7,420
0	(113,847)	(113,847)	Taxation and Non-Specific Grant Income (see Note 10)	0	(124,709)	(124,709)
343,015	(296,901)	46,116	(Surplus) or Deficit on Provision of Services	294,194	(304,143)	(9,951)
		(17,761)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(12,896)
		(42,352)	Actuarial gains / losses on Pensions Assets / Liabilities			(11,480)
		(60,113)	Other Comprehensive Income and Expenditure			(24,376)
		(13,997)	Total Comprehensive Income and Expenditure			(34,327)

MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	(7,636)	(26,292)	(33,928)	(580)	(11,751)	(5,998)	(27)	(52,284)	(249,896)	(302,180)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	(2,576)		(2,576)	(7,375)				(9,950)	-	(9,950)
Other Comprehensive Income and Expenditure - CIES									(24,376)	(24,376)
Total Comprehensive Income and Expenditure	(2,576)	-	(2,576)	(7,375)	-	-	-	(9,951)	(24,376)	(34,326)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(5,693)		(5,693)	7,375	586	297	(10,824)	(8,260)	8,260	-
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	(8,270)	-	(8,270)	-	586	297	(10,824)	(18,211)	(16,116)	(34,326)
Transfers (to) / from Earmarked Reserves (See Note 7)	8,149	(8,149)	-	-				-	-	-
(Increase) / Decrease in Year	(121)	(8,149)	(8,270)	-	586	297	(10,824)	(18,211)	(16,116)	(34,326)
Balance at 31 March 2019	(7,757)	(34,442)	(42,199)	(580)	(11,165)	(5,701)	(10,851)	(70,495)	(266,012)	(336,507)

MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(8,413)	(27,368)	(35,781)	(580)	(10,642)	(4,934)	(47)	(51,984)	(236,200)	(288,184)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	54,486		54,486	(8,370)				46,116	-	46,116
Other Comprehensive Income and Expenditure - CIES									(60,112)	(60,112)
Total Comprehensive Income and Expenditure	54,486	-	54,486	(8,370)	-	-	-	46,116	(60,112)	(13,996)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(52,633)		(52,633)	8,370	(1,109)	(1,064)	20	(46,416)	46,416	0
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	1,853	-	1,853	-	(1,109)	(1,064)	20	(300)	(13,696)	(13,996)
Transfers (to) / from Earmarked Reserves (See Note 7)	(1,076)	1,076	-	-				-	-	-
(Increase) / Decrease in Year	777	1,076	1,853	-	(1,109)	(1,064)	20	(300)	(13,696)	(13,996)
Balance at 31 March 2018	(7,636)	(26,292)	(33,928)	(580)	(11,751)	(5,998)	(27)	(52,284)	(249,896)	(302,180)

BALANCE SHEET

	Note	2018/19 £'000	2017/18 £'000
Property, Plant and Equipment	11	661,983	630,418
Heritage Assets		1,508	999
Investment Property	12	30,934	36,885
Intangible Assets		1,357	1,875
Long-Term Investments	34	-	7,500
Long-Term Debtors		1,939	2,179
Total Long-Term Assets		697,722	679,855
Short-Term Investments	34	40,131	37,125
Current Assets Held for Sale		-	-
Inventories		342	159
Short-Term Debtors	13	28,216	19,351
Cash and Cash Equivalents	14	917	926
Total Current Assets		69,607	57,561
Cash and Cash Equivalents - Bank Overdraft	14	(4,555)	(5,095)
Short-Term Borrowing		(8,778)	(1,218)
Short-Term Creditors	15	(39,342)	(41,662)
Grants Receipts in Advance - Capital	28	(8,041)	(11,439)
Contributions in Advance - Capital	28	(6,176)	(9,062)
Total Current Liabilities		(66,892)	(68,475)
Provisions	16	(8,268)	(5,824)
Long-Term Borrowing		(81,372)	(90,032)
Pensions Liability		(274,289)	(270,906)
Total Long-Term Liabilities		(363,929)	(366,762)
Net Assets		336,507	302,179
Usable Reserves	17		
General Fund		(7,757)	(7,636)
Housing Revenue Account		(580)	(580)
Earmarked Reserves Capital Reserves		(10,108)	(10,357)
Major Repairs Reserve		(24,334)	(15,935)
Major Repairs Reserve		(11,165)	(11,751)
Usable Capital Receipts		(5,701)	(5,998)
Capital Grants Unused Reserve		(10,851)	(27)
Unusable Reserves	18		
Revaluation Reserve		(90,142)	(79,866)
Capital Adjustment Account		(448,688)	(438,802)
Deferred Capital Receipts		(219)	(244)
Pensions Reserve		274,289	270,906
Accumulated Absence Account		944	1,147
Collection Fund		(2,191)	(3,037)
Financial Instruments Revaluation Reserve		(4)	-
Total Reserves		(336,507)	(302,179)

CASH FLOW STATEMENT

	<u>Note</u>	<u>2018/19</u> <u>£'000</u>	<u>Restated</u> <u>2017/18</u> <u>£'000</u>
Net Surplus (Deficit) on the provision of services		9,951	(46,116)
Adjust net surplus (deficit) on the provision of services for non cash items		23,192	80,665
Adjust for items included in net surplus (deficit) on the provision of services that are included in Investing and financing activities		(24,693)	(10,427)
Net cash flows from operating activities	20	<u>8,450</u>	<u>24,122</u>
Investing Activities	21	(8,817)	(32,410)
Financing Activities	22	898	1,868
Net Increase (decrease) in cash and cash equivalents		<u>531</u>	<u>(6,420)</u>
Cash and Cash Equivalents at beginning of the reporting period		<u>(4,169)</u>	<u>2,251</u>
Cash and Cash Equivalents at end of the reporting period		<u>(3,638)</u>	<u>(4,169)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

To ensure a successful closedown the Accountancy team have reviewed the Statement of Accounts for Poole and where necessary decluttered and simplified the accounts. This was carried out with consultation with the external auditors to ensure that the accounts remained compliant with all accounting standards.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2018/19 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

1a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2017/18			2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
27,067	(2,361)	24,706	25,786	6,169	31,954
39,192	2,888	42,080	35,695	3,298	38,993
1,537	300	1,837	1,323	(3)	1,320
22,661	13,063	35,723	23,192	12,031	35,223
3,770	2,221	5,991	3,548	2,130	5,678
460	-	460	397	-	397
2,789	13,745	16,534	2,856	(3,703)	(848)
(6,974)	(4,412)	(11,386)	(6,758)	(3,601)	(10,359)
90,502	25,443	115,946	86,039	16,320	102,358
(101,466)	31,637	(69,830)	(101,024)	(11,285)	(112,309)
4,051	(4,051)	-	1,039	(1,039)	-
8,765	(8,765)	-	5,677	(5,677)	-
1,853	44,263	46,116	(8,269)	(1,682)	(9,951)
(36,363)			(34,510)		
1,853			(8,269)		
(34,510)			(42,780)		

2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
People - Children	1,702	4,613	(147)	6,169
People - Adult Social Care	373	2,912	13	3,298
People - Other	77	(83)	2	(3)
Places	9,354	2,692	(15)	12,031
Business Improvement	803	1,383	(56)	2,130
Fisheries and Courts	-	-	-	-
Non Distributed Costs (NDC)	-	(3,703)	-	(3,703)
Local Authority Housing (Housing Revenue Account)	(3,601)	-	-	(3,601)
Net Cost of Services	8,708	7,814	(203)	16,320
Other Income and Expenditure from the Funding Analysis	(19,612)	7,049	1,278	(11,285)
Statutory provision for the financing of capital investment	(1,039)	-	-	(1,039)
Capital expenditure charged to balances	(5,677)	-	-	(5,677)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(17,619)	14,863	1,075	(1,682)

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
People - Children	421	(2,573)	(209)	(2,361)
People - Adult Social Care	668	2,261	(42)	2,888
People - Other	134	168	(2)	300
Places	8,350	4,733	(21)	13,063
Business Improvement	981	1,232	8	2,221
Fisheries and Courts	-	-	-	-
Non Distributed Costs (NDC)	6	13,739	-	13,745
Local Authority Housing (Housing Revenue Account)	(4,412)	-	-	(4,412)
Net Cost of Services	6,148	19,561	(266)	25,443
Other Income and Expenditure from the Funding Analysis	23,766	7,818	53	31,637
Statutory provision for the financing of capital investment	(4,051)	-	-	(4,051)
Capital expenditure charged to balances	(8,765)	-	-	(8,765)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	17,097	27,379	(213)	44,263

(i) - Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition,

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Finance and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP)
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivables during the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(ii) - Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows.

- For the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES)

(iii) - Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2. Expenditure and Income Analysed by Nature

	2018/19 £'000	2017/18 £'000 Restated
Expenditure		
Employee expenses	96,290	111,379
Other operating expenses	145,504	126,232
Transfer Payments	18,340	42,404
Depreciation, amortisation and revaluation	13,679	11,024
Revenue expenditure funded by capital under statute	3,498	2,536
Gain or Loss on Disposal of Fixed Assets	5,785	38,528
Precepts & Levies	203	199
Payments to Housing Capital Receipts Pool	436	436
Interest Payments	3,141	3,160
Changes in the fair value of investment property	268	(700)
Pensions interest cost and expected return on assets	7,049	7,818
Total expenditure	294,194	343,016
Income		
Fees, charges & other service income	(58,266)	(61,143)
Government grants	(99,335)	(110,898)
Other Contributions	(22,693)	(15,365)
Grants and contributions associated with REFCUS	(3,492)	(2,453)
Disposal of Fixed Assets	(1,772)	(3,278)
Interest and investment income	(342)	(246)
Income from council tax	(80,328)	(75,119)
Income from localised business rates	(14,014)	(15,605)
Government grants and other contributions - capital	(23,902)	(12,793)
Total income	(304,145)	(296,900)
Surplus or Deficit on the Provision of Services	(9,951)	46,117

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 35, 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 a degree of uncertainty about future levels of funding for local government. The Council is estimating and accommodating this as far as possible within its Medium Term Financial Planning process. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b Accounting for Schools – Balance Sheet Recognition

The Council recognises Schools in line with the provisions of the Code of Practice.

There are currently five types of schools within the Borough :-

- Community schools
- Voluntary controlled (VC) schools
- Voluntary aided (VA) schools
- Foundation Trust Schools

- Academies

Staff at Community schools are appointed by the Council and the Council sets the admission criteria. The Council has ownership of the Assets. These Schools are, therefore, recognised on the Council's Balance Sheet.

VC and VA school land and buildings usually rests with a charity, normally a religious body such as a Diocese. The Diocese grants a licence to the school to use the land and buildings. Under this licence arrangement, the ownership of the land and buildings have not transferred to the school but are retained by the diocese and thus are not included on the Council's balance sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For such schools within Poole, the school governing body has legal ownership of the land and buildings and if it were preparing its own balance sheet then these assets would appear. The application of IFRS 10 and Consolidated Financial Statements requires that these assets appear within our single entity statement.

Academies are not considered to be maintained schools in the Council's control. Thus, the land and building assets are not owned by the Council and not included on the Council balance sheet.

c The impact of schools transferring to Academy status

The accounting policy is set such that the disposal of a school asset to academy will be shown in the year in which it occurs rather than at the point that the new status is agreed. The value of the asset will be written out of the accounts as a loss on disposal against other operating income and expenditure rather than as an impairment charge against cost of services. This means that schools transferring on the 1st April in any given year will still be recognised on the Balance Sheet as at 31 March of the preceding year. In addition, if such schools were due for revaluation (in line with the 5 year cycle) then that revaluation will not be undertaken. The assets are transferred to the Academies on the basis of 125 year leases and as such it is considered that the major part of the useful life of the assets have been transferred and therefore disposed.

d Business Rate Appeals

Provision is made for the future settlement of appeals that have been lodged with the Valuation Office. The Council considers that the lodging of the appeal with the valuation office is the event that gives the legal or constructive obligation that will probably require financial settlement and further that a reliable estimate can be made based upon previous settled appeals.

A contingent liability is identified for unlogged appeals as though rates bills have been issued there has been no appeal received and the bills as presented to ratepayers are being paid. There is the potential for an obligation but there is no reliable way to measure this.

e Frequency of Valuations and Materiality for non-current assets

Land and building category

All property is valued in accordance with RICS valuation standards. In determining the programme of valuation work for each year the Council ensures that all assets which would fall outside of the five year time frame are captured for revaluation. In addition, the Council captures those assets where the valuations are based upon income particularly where it knows that the income may have been subject to fluctuations up or down. The valuers use their local knowledge of change - for example assets that would be impacted by residential market movements. At year end the valuers carry out an impairment review and at the same time ensure that there is no evidence that assets not valued within the class would have experienced material increases. The materiality level has been set at plus or minus 10%.

Investment properties

Investment properties reflect the market conditions at the end of the reporting period. A small number of investment properties are deminimus for valuation purposes and there is no expectation of any

change in their value. Where this is the case the valuers will not carry out a formal valuation annually but will review every five years and formally revalue if circumstances have changed.

The valuations are carried out as at December with a formal confirmation at 31st March that these valuations still reflect market conditions.

4. 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 past experience, current trends and other relevant factors. Where estimates are made actual results could be materially different from the assumptions and estimates.

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

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. The Council's share of the balance of Business Rate appeals provisions at this date amounted to £5.6m.

Valuation of Assets

Assets are valued in line with Accounting Policy q. Asset values and remaining asset lives are provided by qualified valuation staff operating under Royal Institute of Chartered Surveyors (RICS) professional guidance. The current value in the Balance Sheet is £698m. The impact of errors on the valuation assumptions would flow through the Balance Sheet and would have no direct impact on the revenue account. Based on the experience of Council staff and the guidance under which they operate it is not anticipated that any variances will materially affect the accounts. An indices exercise has been conducted to ensure the assets are not materially different to Fair Value as at the Balance Sheet date.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability.

Pension Assets

Pensions Assets are estimated by a firm of consulting actuaries at each year-end. This figure is at a point in time and subject to significant movement within the year subject to the vagaries of the market and world economic conditions, because of this the figure is very much an estimate and will vary considerably year on year. Variations in the asset value will have a significant effect on the net liability shown in these accounts, however as these amounts are removed by accounting regulation there is no overall impact on the General Fund Balance.

Debt Impairment

At 31 March 2019, the Council had a balance of gross short term debtor's balance of £36.1m. A review of significant balances suggested that an impairment of doubtful debts of £7.9m was appropriate (this is included in the short term debtors to give a total balance of £28.2m). However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the

assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Local Government Reorganisation – Dorset

The Secretary of State for Housing, Communities and Local Government approved Statutory Instrument 2018 No. 648 for the reorganisation of all 9 Dorset authorities into 2 new Unitary authorities, Bournemouth, Christchurch and Poole Council and Dorset Council to service the whole of Dorset for the 1st April 2019. Borough of Poole ceased to exist as an entity on the 31 March 2019, with all assets and liabilities transferred to the new Bournemouth, Christchurch and Poole Council.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the S151 Officer on 31 May 2019. Events taking place after this date are not reflected in the Financial Statements or notes.

There were no events post 31st March 2019 which require reporting in the Statement of Accounts.

6. Adjustments between Accounting Basis and Funding Basis under Regulation

The following tables detail the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on services or on capital investment, or deficit of resources that the Council is required to recover, at the end of the financial year. However, the balance is not available to be applied to fund Housing Revenue Account (HRA) services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the Reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms

as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(11,795)	3,601	-	-	-	(8,194)	8,194	-
Movement in the Market Value of Investment Property	(268)	-	-	-	-	(268)	268	-
Amortisation of Intangible Assets	(518)	-	-	-	-	(518)	518	-
Capital Grants and Contributions Applied	13,078	-	-	-	-	13,078	(13,078)	-
Revenue Expenditure Funded from Capital under Statute	(3,498)	-	-	-	-	(3,498)	3,498	-
Grant Finance of Revenue Expenditure Funded from Capital	3,498	-	-	-	-	3,498	(3,498)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(4,013)	(1,772)	-	-	-	(5,784)	5,784	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	1,039	-	-	-	-	1,039	(1,039)	-
Capital Expenditure charged against General Fund and HRA Balances	1,896	3,774	-	-	-	5,670	(5,670)	-
Sub Total Carried overleaf	(580)	5,604	-	-	-	5,024	(5,024)	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(580)	5,604	-	-	-	5,024	(5,024)	-
<u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	10,824	-	-	-	(10,824)	-	-	-
<u>Adjustments Primarily Involving the Capital Receipts Reserve</u>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	1,772	-	(1,772)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	1,397	-	1,397	(1,397)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	260	-	260	(260)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	-	-	-	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(436)	-	-	436	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(24)	-	(24)	24	-
Sub Total Carried overleaf	9,808	7,375	-	297	(10,824)	6,656	(6,656)	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	9,808	7,375	-	297	(10,824)	6,656	(6,656)	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(4,968)	-	-	(4,968)	4,968	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	5,554	-	-	5,554	(5,554)	-
<u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<u>Adjustments Primarily involving the Pensions Reserve:</u>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(26,617)	-	-	-	-	(26,617)	26,617	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	11,754	-	-	-	-	11,754	(11,754)	-
Sub Total Carried overleaf	(5,055)	7,375	586	297	(10,824)	(7,621)	7,621	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(5,055)	7,375	586	297	(10,824)	(7,621)	7,621	-
<u>Adjustments Primarily Involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	(846)	-	-	-	-	(846)	846	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	203	-	-	-	-	203	(203)	-
<u>Adjustment Primarily Involving the Financial Instruments Revaluation Reserve</u>								
Financial Instruments	4					4	(4)	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(5,694)	7,375	586	297	(10,824)	(8,260)	8,260	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(9,961)	4,412	-	-	-	(5,549)	5,549	-
Movement in the Market Value of Investment Property	700	-	-	-	-	700	(700)	-
Amortisation of Intangible Assets	(525)	-	-	-	-	(525)	525	-
Capital Grants and Contributions Applied	10,794	-	-	-	-	10,794	(10,794)	-
Revenue Expenditure Funded from Capital under Statute	(2,536)	-	-	-	-	(2,536)	2,536	-
Grant Finance of Revenue Expenditure Funded from Capital	2,453	-	-	-	-	2,453	(2,453)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(35,347)	(3,182)	-	-	-	(38,529)	38,529	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	4,051	-	-	-	-	4,051	(4,051)	-
Capital Expenditure charged against General Fund and HRA Balances	4,827	3,958	-	-	-	8,785	(8,785)	-
Sub Total Carried overleaf	(25,544)	5,189	-	-	-	(20,356)	20,356	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(25,544)	5,189	-	-	-	(20,356)	20,356	-
<u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	(20)	-	-	-	20	-	-	-
<u>Adjustments Primarily Involving the Capital Receipts Reserve</u>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	97	3,182	-	(3,279)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	1,384	-	1,384	(1,384)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	419	-	419	(419)	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(436)	-	-	436	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(24)	-	(24)	24	-
Sub Total Carried overleaf	(25,903)	8,370	-	(1,064)	20	(18,577)	18,577	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(25,903)	8,370	-	(1,064)	20	(18,577)	18,577	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(4,950)	-	-	(4,950)	4,950	-
Excess Depreciation Charged to HRA	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	3,840	-	-	3,840	(3,840)	-
<u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<u>Adjustments Primarily involving the Pensions Reserve:</u>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,599)	-	-	-	-	(39,599)	39,599	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	12,220	-	-	-	-	12,220	(12,220)	-
Sub Total Carried overleaf	(53,282)	8,370	(1,109)	(1,064)	20	(47,065)	47,065	-

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(53,282)	8,370	(1,109)	(1,064)	20	(47,065)	47,065	-
<u>Adjustments Primarily involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax income adjustment is different from amount taken to general fund in accordance with regulation	383	-	-	-	-	383	(383)	-
Amount by which Non domestic rates income adjustment is different from amount taken to general fund in accordance with regulation	-	-	-	-	-	-	-	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	266	-	-	-	-	266	(266)	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(52,634)	8,370	(1,109)	(1,064)	20	(46,416)	46,416	-

7. Transfers to/from Earmarked Reserves

	Balance as at 31 March 2017 £000	Transfers Out and (In) 2017/18 £000	Balance as at 31 March 2018 £000	Transfers Out and (In) 2018/19 £000	Balance as at 31 March 2019 £000
General Fund Earmarked Reserves					
Reserves held to support partnership work with schools and other stakeholders					
Schools Block	(750)	54	(696)	(690)	(1,386)
Other Stakeholders	(548)	(674)	(1,222)	(812)	(2,034)
Reserves held to support the council's medium term financial plan					
Reorganisation Fund	(2,702)	0	(2,702)	(674)	(3,376)
Financial Planning *	(4,760)	2,057	(2,703)	0	(2,703)
Revenue Funding Capital Reserve	0	(2,000)	(2,000)	(1,461)	(3,461)
Additional Reserves Supporting the Medium Term Financial Plan	(2,231)	3	(2,228)	(3,189)	(5,417)
Supporting Council Priorities and Programmes	(1,838)	(232)	(2,070)	105	(1,965)
Planning Related Reserves	(598)	38	(560)	60	(500)
Building Regulation Account	(76)	36	(40)	(51)	(91)
Grant related	(1,186)	(528)	(1,714)	(1,686)	(3,400)
Total Earmarked Reserves for revenue purposes	(14,689)	(1,246)	(15,935)	(8,399)	(24,334)
Capital Fund	(12,600)	2,278	(10,322)	269	(10,053)
Capital Fund Schools	(81)	46	(35)	(20)	(55)
Total Earmarked Reserves for capital purposes	(12,681)	2,324	(10,357)	249	(10,108)
Total General Fund Earmarked Reserves	(27,370)	1,078	(26,292)	(8,150)	(34,442)

8. Other Operating Expenditure

	2018/19 £'000	2017/18 £'000
Disposal of non current assets	5,784	38,530
Sales Proceeds	(1,772)	(3,278)
Precept Environment Agency Levy	203	199
Contribution of housing capital receipts to Government Pool	436	436
Pensions fund administration expenses	329	272
Total	4,980	36,158

9. Financing and Investment Income and Expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	3,073	3,088
Interest receivable	(355)	(270)
Net Income and expenditure in relation to investment properties and changes in their fair value	(2,018)	(2,505)
Net interest on the defined benefit liability / (asset)	6,720	7,546
Total	7,420	7,859

10. Taxation and Non-Specific Grant Income

	2018/19 £'000	2017/18 £'000
General government grants non ringfenced	(6,465)	(10,331)
Income from Council Tax	(80,328)	(75,118)
Income from Localised Business Rates	(14,014)	(15,605)
Capital grants and contributions	(23,902)	(12,793)
Total	(124,709)	(113,847)

11. Property, Plant and Equipment

The following statement shows the progress of the Council's rolling programme for the revaluation of PPE assets. The valuations have been performed by NPS and Sibbert Gregory. All valuations are carried out in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) as set out within the RICS 'red book'. Fair value is defined as "The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm's length transaction". The Council has adopted a valuation date of 31st March.

Under the Code, the application of Fair Value is subject to specific additional conditions, depending on the categorisation of the asset. The valuation of each property is on the bases of value and assumptions:

- Owner occupied property: valued to Existing Use Value (EUUV) assuming that the property would be sold as part of a continuing business;
- Investment property: valued to Market Value (MV) assuming that the property would be sold subject to any leases.

The land and building elements of property are valued in accordance with IAS 16 and specifically IFRS 13 for Surplus Property sub classified as:

Operational Non- specialised	Current value - Existing Use Value (EUUV)
Operational Specialised	Current value - Depreciated Replacement Cost (if not market evidence available)
Surplus Property	Fair Value – market value
Non current assets Held for Sale	The lower of Market value (less costs to sell) and carrying value

The Valuer's opinion of Fair Value has been derived where possible from recent comparable market transactions on arm's length terms or income capitalisation, where appropriate. Where a property is deemed 'specialised' i.e. 'real property that is, rarely if ever sold in the market, except by way of a sale of

the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise', there will be no market-based evidence and therefore Fair Value has been estimated using a Depreciated Replacement Cost (DRC) approach. In determining Gross Replacement Cost (GRC) for DRC valuations the valuers have where possible obtained recent cost information from building and quantity surveyors and used Building Cost Information Service of RICS (BCIS) quarterly review data.

The valuation of Council Housing Stock is Existing Use Value for Social Housing which for 2018/19 is 35% of EUV. The valuation date used is 31 March e.g. 2018/19 accounts will have values as at 31 March 2019. (The EUV for 2017/18 was 35%). This discount has been applied to the housing assets but, in accordance with the guidance no discount is applied to hotels and non housing assets.

Revaluation history of Property, Plant and Equipment is :-

	£000
Historic	169,721
2014/15	22,802
2015/16	7,284
2016/17	18,954
2017/18	9,371
2018/19	<u>433,851</u>
	<u>661,983</u>

In complying with International Accounting Standard IAS16 Property, Plant and Equipment (PPE) the Council is required to ensure that where assets are re-valued (i.e. the carrying amount is based on fair value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

This is essentially the same as for all balance sheet transactions that is that the measurement for any balance sheet transaction should be materially accurate.

IAS16 also comments on the revaluation frequency and states that "some items of property, plant and equipment experience significant and volatile changes in current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of PPE with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years."

This Council revalues Council Dwellings as at 31st March. This is to ensure that any volatility within the housing market is captured as at the year end.

Other current value PPE items are within a maximum five year rolling programme. It is considered that the items within this rolling programme tend to have insignificant changes in current value to the extent that their revaluation more frequently would not result in materially different values on the Balance Sheet.

The Council has moved the valuation date to 31st December to ensure that the valuations done are as current as is possible. The Council's property department reviews all assets as part of an annual programme. Indices are used to determine whether any significant movement in assets has occurred during the period. This exercise informs the Council's decision on which assets require a full valuation in the year and ensures that the current value of assets not subject to revaluation is not materially different from the carrying value.

In considering materiality, the Council is of a view that for the majority of non-current assets that are being used for service provision, that is those that are within the Land and Buildings category, that users of the accounts would be unlikely to make different decisions relating to the Council or come to different conclusions about the standards of stewardship if the assets were valued more frequently.

Land and buildings transferred to academy status and foundation status

The Balance sheet for 31 March 2019 has been adjusted to reflect one school that went to Academy status throughout 2018/19. The approximate Net Book Value (NBV) for this school was £3.86m.

Property, Plant and Equipment – 2018/19

	Housing Revenue Account £000's	Other Land & Buildings £000's	Surplus & Vacant Assets £000's	Total Other Land & Buildings £000's	Vehicles Plant Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Assets Under Construction £000's	TOTAL PPE £000's
Gross book value as at 31 March 2018	278,387	195,415	5,449	200,864	20,760	4,965	181,804	2,758	689,538
Accumulated depreciation as at 31 March 2018	(628)	(3,242)	-	(3,242)	(10,293)	-	(44,958)	-	(59,121)
Opening Net book value as at 1 April 2018	277,759	192,173	5,449	197,622	10,467	4,965	136,846	2,758	630,417
Gross book value as at 31 March 2018	278,387	195,415	5,449	200,864	20,760	4,965	181,804	2,758	689,538
Additions / enhancements	10,735	9,688	-	9,688	1,212	1,276	9,496	29	32,437
Derecognition - Disposals	(1,772)	(4,085)	-	(4,085)	-	-	-	-	(5,857)
Derecognition - Other									-
Reclassification within PPE	(3,542)	3,460	-	3,460	-	177	-	(94)	0
Reclassification outside PPE		5,684	-	5,684	-	-	-	-	5,684
Revaluations increases/(decreases) in the reval rsv	1,976	6,060	10	6,070	-	-	-	-	8,046
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	(443)	(1,823)	(40)	(1,863)	-	-	-	-	(2,306)
Gross book value as at 31 March 2019	285,341	214,399	5,419	219,818	21,972	6,418	191,300	2,693	727,542
Accumulated depreciation as at 31 March 2018	(628)	(3,242)	-	(3,242)	(10,293)	-	(44,958)	-	(59,121)
Depreciation for Year	(4,968)	(4,218)	-	(4,218)	(2,698)	-	(4,131)	-	(16,015)
Derecognition - Disposals		73	-	73	1	-	-	-	75
Derecognition - Other									-
Reclassifications		-	-	-	-	-	-	-	-
Revaluations increases/(decreases) in the reval rsv	626	3,758	-	3,758	-	-	-	-	4,384
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4,043	1,076	-	1,076	-	-	-	-	5,119
Accumulated Depreciation as at 31 March 2019	(927)	(2,553)	-	(2,553)	(12,989)	-	(49,089)	0	(65,558)
Closing Net book value as at 31 March 2019	284,414	211,846	5,419	217,265	8,983	6,418	142,211	2,693	661,983

Property, Plant and Equipment – 2017/18

	Housing Revenue Account £000's	Other Land & Buildings £000's	Surplus & Vacant Assets £000's	Total Other Land & Buildings £000's	Vehicles Plant Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Assets Under Construction £000's	TOTAL PPE £000's
Gross book value as at 31 March 2017	269,701	215,331	3,743	219,074	20,487	4,701	167,299	4,890	686,151
Accumulated depreciation as at 31 March 2017	(457)	(5,111)	0	(5,111)	(8,722)	-	(41,127)	-	(55,417)
Opening Net book value as at 1 April 2017	269,244	210,220	3,743	213,963	11,765	4,701	126,172	4,890	630,734
Gross book value as at 31 March 2017	269,701	215,331	3,743	219,074	20,487	4,701	167,299	4,890	686,151
Additions / enhancements	9,183	2,309	-	2,309	1,375	265	14,505	2,189	29,826
Derecognition - Disposals	(2,494)	(36,107)	(58)	(36,165)	(188)	-	-	-	(38,848)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Reclassification	-	0	560	560	-	-	-	(560)	0
Reclassification to Held for Sale & AUC	-	4,180	-	4,180	-	-	-	(3,761)	419
Revaluations increases/(decreases) in the reval rsv	1,974	10,444	1,214	11,658	-	-	-	-	13,632
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4	(742)	(10)	(752)	-	-	-	-	(748)
Gross book value as at 31 March 2018	278,368	195,415	5,449	200,864	21,673	4,965	181,804	2,758	690,432
Accumulated depreciation as at 31 March 2017	(457)	(5,111)	0	(5,111)	(8,722)	-	(41,127)	-	(55,417)
Depreciation for Year	(4,950)	(5,335)	(6)	(5,341)	(2,604)	-	(3,831)	-	(16,726)
Derecognition - Disposals	-	1,175	-	1,175	120	-	-	-	1,294
Derecognition - Other	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations increases/(decreases) in the reval rsv	617	3,759	6	3,764	-	-	-	-	4,381
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4,182	2,271	-	2,271	-	-	-	-	6,453
Accumulated Depreciation as at 31 March 2018	(608)	(3,242)	-	(3,242)	(11,206)	-	(44,958)	0	(60,014)
Closing Net book value as at 31 March 2018	277,760	192,173	5,449	197,622	10,467	4,965	136,846	2,758	630,418

Capital Commitments

At 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years. The major commitments are as follows:

As at 31 March 2018 £'000		As at 31 March 2019 £'000
6,800	Schools and Education Projects	3,954
1,547	Council Housing Improvements	3,900
7,763	Care Projects	423
87	Renovation and Disabled Facilities Grants	167
336	Refuse and Recycling Vehicles	427
196	Corporate Assets	150
984	Transportation Projects	1,473
391	Coast Protection	0
18,104	Total Significant Capital Commitments	10,494

12. Valuation information Surplus Asset and Investment Property

The Council has used observable and unobservable inputs within a valuation hierarchy to determine the values for surplus assets and for investment properties.

Observable inputs : inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset.

Unobservable inputs : inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset.

These inputs are categorised into three levels termed a fair value hierarchy as outlined in accounting policy j.

Valuation techniques used to determine level 2 fair values

The fair value of investment and surplus property has been measured using the market approach, which takes into account transactional evidence for similar assets in active markets. Market conditions are such that comparable properties are actively purchased and sold and there are a good level of observable inputs which are able to be verified and the source identified.

Valuation techniques used to determine level 3 fair values

For the vast majority of assets assessed as level 3 the fair value has been measured using a market approach and transactional evidence has been identified. However, where we have deemed the evidence not directly comparable resulting in significant adjustments needing to be made, or where the inputs are unobservable we have deemed these valuations to be a level 3.

Approximately 83% of such assets have been determined as level 2, 17% level 3.

Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	(2,683)	(2,337)
Direct operating expenses arising from investment property	397	533
(Increase)/reduction in fair value of investment property	268	(700)
Net (gain) / loss	(2,018)	(2,504)

The following table summarises the movement in the fair value of investment property:

	2018/19	2017/18
	£'000	£'000
Brought Forward 1 April	36,885	36,604
Reclassification	(5,684)	(419)
Additions	-	-
Disposal	-	-
Revaluations /(impairments)	(267)	700
Balance Carried Forward 31 March	30,934	36,885

All Investment Properties have been valued as at 31 December 2018.

13. Debtors

	2018/19	2017/18
	£'000	£'000
Related to Collection Fund agency Arrangement :-		
- Council tax	3,761	3,241
- Non Domestic Rates (NDR)	712	580
HM Revenue and Customs	1,946	931
Payments in advance	3,649	1,906
Sundry Revenue Debtors	14,201	10,772
Housing - rents and rechargeable	395	352
Government Department	798	1,375
Other Local Authorities	7,060	6,832
Health Bodies	456	200
Debtors relating to Capital Scheme	3,131	723
Impairment (Provision for Bad Debts)	(7,893)	(7,562)
Total Debtors	28,216	19,351

14. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	2018/19	2017/18
	£'000	restated £'000
Cash held by the Council	182	151
Bank current account	(4,555)	(5,095)
Instant Access Accounts	735	775
Total Cash and Cash Equivalents	(3,638)	(4,169)

The Council has changed its policy in respect of cash and cash equivalents with the introduction of International Financial Reporting Standard 9 which relates to financial instruments. Part of the effect of this is to designate most instant access accounts and cash plus funds as financial assets at fair value. The comparator figure for 2017/18 in the above table now excludes £20m of cash plus funds and £2.15m of instant access accounts from those reported previously. The funds which have been reclassified are now shown as investments and are held at fair value.

The Cash and Cash equivalents figures for 2017/18 have been restated due to a reclassification of items to short term investments. The impact of reclassification has meant a number of statements throughout the accounts have been restated.

15. Creditors

	2018/19 £'000	2017/18 £'000
Related to Collection Fund agency Arrangement :-		
- Council tax	(832)	(1,260)
- Non Domestic Rates (NDR)	(436)	(465)
- Owed to Preceptors	-	(2)
NNDR localism	(7,639)	(4,909)
HM Revenue and Customs	(1,411)	(1,286)
Receipts in advance	(4,561)	(5,084)
Sundry Revenue Creditors	(9,161)	(10,808)
Accumulated absences staff	(944)	(1,147)
Government Department	(2,230)	(1,791)
Other Local Authorities	(4,237)	(5,598)
Health Bodies	(77)	(116)
Creditors relating to Capital Scheme	(4,332)	(6,177)
Depositors	(3,482)	(3,019)
Total Creditors	(39,342)	(41,662)

16. Provisions

	Balance at 31 March 2018 £000's	Contribution (From) / to GF / HRA £000's	Applied in Year £000's	Balance at 31 March 2019 £000's
Insurance Provisions	(1,094)	-	-	(1,094)
Ordinary Residence Liability	(365)	(90)	-	(455)
Contract termination	(520)	-	202	(318)
Non Domestic Rating appeals	(2,237)	(3,716)	383	(5,570)
Housing Providers handback	(56)	-	-	(56)
Strategic Asset Management	(741)	-	-	(741)
HMRC Subcontracting VAT	(112)	112	-	-
Treatment	-	-	-	-
West Devon Payments without prejudice	(699)	699	-	-
Funded out of Hospital	-	(34)	-	(34)
Total	(5,824)	(3,029)	585	(8,268)

Insurance Provisions

Part of the insurance provision relates to historic liabilities arising from the council's interest in Municipal Mutual Insurance (MMI). The Council is a participant of a 'Scheme of Arrangement' and its potential liability is assessed every six months. In November 2012 the Council received a letter from Municipal Mutual which has triggered the scheme of arrangement. The final liability of the Council is yet to be determined though it is expected that the provision made will be sufficient.

In addition an amount has been set aside in relation to a potential claim against the Council in relation to damages caused to a third parties property.

Ordinary residence liability

Ordinary residence is the mechanism that local authorities use to decide which local authority should fund an individual's care. This liability relates to ongoing ordinary residence disputes with other local authorities where social care for a number of clients has been funded by another local authority who are claiming that the clients' funding should be the responsibility of the Borough of Poole. This provision allows for reimbursement to be made to others.

Contract termination

Claim from termination of a social care provider contract.

Non domestic rating appeals

This relates to the Council share of estimated liability in relation to appeals with the valuation office, which, if successful may result in a refund to individual local businesses.

Housing Providers handback

This is required to ensure that the Council has funds to cover its liability in relation to covering the costs of handing back property used for temporary accommodation to owners/landlords in the condition in which it was received.

Strategic Asset Management

- £475K: Lessee overpaid lease charges in respect of the Dolphin Centre. The provision relates to the potential liability for payback.
- £245k: Obligation to pay landlord maintenance costs in respect of small holdings on the Upton Farm site.
- £21K: Lessee overpaid lease charges in respect of the Falkland Square. The provision relates to the potential liability for payback.

Funded Out of Hospital

This provision is for the disputed FOH (Funded Out of Hospital) client costs Poole were billed for. ASC Service Manager disputed the calculations pointing out multiple errors on NHS side and suggested we provide for 80% of the invoice value. I have a statement of outstanding invoices from NHS.

Funding out of hospital is for patients who lose Continuous Healthcare status and don't qualify for free NHS care anymore. Instead LA's are to take over the cases and provide social care. Meanwhile hospitals continue to pay for care until the handover and bill LA's once this happens.

17. Usable Reserves

	2018/19	2017/18
	£'000	£'000
General Fund	(6,252)	(6,252)
School Balances	(1,505)	(1,384)
Housing Revenue Account	(580)	(580)
Earmarked Reserves	(34,442)	(26,292)
Major Repairs Reserve	(11,165)	(11,751)
Usable Capital Receipts	(5,701)	(5,998)
Capital Grants Unapplied	(10,851)	(27)
Total Usable Reserves	(70,496)	(52,284)

18. Unusable Reserves

	2018/19 £'000	2017/18 £'000
Revaluation Reserve	(90,142)	(79,866)
Capital Adjustment Account	(448,688)	(438,802)
Deferred Capital Receipts Reserve	(219)	(244)
Pensions Reserve	269,180	270,906
Accumulated Absences Account	944	1,147
Collection Fund Adjustment Account	(2,191)	(3,037)
Pooled Investments Adjustment Account	(4)	-
Total Unusable Reserves	(271,120)	(249,896)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are 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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(79,866)	(75,778)
Upward revaluation of assets	(13,885)	(18,222)
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on Provision of Services	990	460
Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services	(12,895)	(17,762)
Difference between fair value depreciation and historic cost depreciation	2,619	1,498
Accumulated (gains) and losses on assets sold or scrapped	-	12,176
Amount Written off to the Capital Adjustment Account	2,619	13,674
Balance at 31 March	(90,142)	(79,866)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. 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 Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the cost of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007 the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(438,802)	(444,792)
Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for Depreciation and Impairment on Non-Current Assets	11,795	9,961
Depreciation of HRA Non-Current Assets to Major Repairs Reserve	1,367	4,950
Amortisation of Intangible Assets	518	525
Revenue Expenditure Funded from Capital under Statute	3,498	2,536
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	5,784	34,118
	22,962	52,090
Adjusting amounts written out of the Revaluation Reserve	(2,619)	(13,674)
Net written out amount of the cost of Non-Current Assets consumed in the year	20,343	38,416
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(1,397)	(1,803)
Use of the Major Repairs Reserve to finance new Capital Expenditure	(5,554)	(3,840)
Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(13,078)	(10,794)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(3,498)	(2,453)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	-	-
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(1,039)	(4,051)
Capital Expenditure Charged against the General Fund and HRA Balances	(5,671)	(8,785)
	(30,237)	(31,726)
HRA receipts associated debt set aside	(260)	-
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	268	(700)
Balance at 31 March	(448,688)	(438,802)

Deferred Capital Receipts Reserve

These are amounts receivable in respect of the sale of assets where the monies due will be received in instalments over an agreed period of time. It relates to a proportion of outstanding principal on loans made to Dorset Police by Dorset County Council prior to reorganisation.

	2018/19	2017/18
	£'000	£'000
Balance b/fwd as at 1 April	(243)	(267)
Receipts released to capital receipts reserve upon receipt	24	24
Total Deferred Capital Receipts	(219)	(243)

Pension Reserve

The Pensions Reserve absorbs 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 accruing years of service, updating liabilities recognised to reflect inflation, changing assumptions and investment returns on any 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 pension 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 come to be paid.

The figures presented below include the local government scheme and the teacher's pension scheme.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	270,906	285,879
Remeasurements of the net defined benefit liability	(11,480)	(42,352)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	26,617	39,599
Employer's pension contributions and direct payments to pensioners payable in the year	(11,754)	(12,220)
Balance at 31 March	274,289	270,906

Accumulated Absences Account

The accumulated absences account absorbs the difference that would otherwise arise on the General Fund balance from accruing compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory Arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	1,147	1,413
Settlement of cancellation of accrual made at the end of the preceding year	(1,147)	(1,413)
Amounts accrued at end of current year	944	1,147
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(203)	(266)
Balance at 31 March	944	1,147

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(3,037)	(2,654)
Amount by which council tax and business rates Income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(846)	(383)
Balance at 31 March	(2,191)	(3,037)

19. Usable Capital Receipts

Any balance at the end of the year on the Usable Capital Receipts Reserve represents the Capital Receipts available to finance expenditure in future years.

	2018/19 £'000	2017/18 £'000
Balance b/fwd as at 1 April	(5,997)	(4,934)
Total in year Capital Receipts from asset sales	(1,772)	(3,279)
Previously deferred receipts now usable	(24)	(24)
Paid to DCLG under Pooling arrangements	435	436
HRA receipts associated debt set aside to Capital Adjustment Account	260	419
Capital Receipts used for Financing capital schemes	1,397	1,384
Total Unusable Capital Receipts	(5,701)	(5,997)

20. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest received	(371)	(211)
Interest paid	3,073	2,990

The Deficit on the Provision of Services line has been adjusted for the following non-cash movements:

	2018/19 £'000	2017/18 £'000
Depreciation and Impairment	8,194	14,912
Amortisation	518	525
Movements in the market value of investment properties	268	(700)
Movements in pension liabilities	14,863	27,379
Increase / (decrease) in creditors	(2,473)	2,692
(Increase) / decrease in debtors	(6,227)	698
(Increase) / decrease in provisions	2,448	1,047
(Increase) / decrease in inventories	(183)	(5)
Carrying amount of non current assets sold	5,784	34,117
	23,192	80,665

The Surplus or Deficit on the Provision of Services line has been adjusted for the following items that are investing and financing activities:

	2018/19 £'000	2017/18 £'000
Net Costs of non current assets sold or decommissioned	(1,771)	(3,279)
Grants Received toward funding capital expenditure	(27,400)	(15,267)
Net adjustment from the sale of short and long term investments	4,478	8,119
	(24,693)	(10,427)

21. Cash Flow Statement – Investing Activities

	2018/19 £'000	Restated 2017/18 £'000
Purchase of property, plant & equipment, investment property and intangible assets	(29,322)	(18,294)
Purchase of short-term and long-term investments	-	(27,510)
Proceeds from sale of property, plant & equipment, investment property and intangible assets	1,796	3,303
Proceeds from short-term and long-term investments	-	8,119
Other receipts from investing activities	18,709	1,612
Net cash flows from investing activities	(8,817)	(10,260)

22. Cash Flow Statement – Financing Activities

	2018/19 £'000	2017/18 £'000
Cash receipts of short and long-term borrowing	-	640

Non Domestic Rates and Council tax preceptors increase/(decrease)	1,998	2,320
Repayments of short and long-term borrowing	(1,100)	(1,092)
Other payments for financing activities	-	-
Net cash flows from financing activities	898	1,868

23. Members' Allowances

The basic allowance is a flat rate allowance paid at the same rate to all members. The special responsibility allowance is additional to reflect significant responsibilities that a member may have e.g. Leader, Chairman, membership of Cabinet.

	2018/19 £'000	2017/18 £'000
Basic Allowance	405	403
Special Responsibility Allowance	153	148
Travel & Subsistence	2	2
Total allowances paid	560	553

24. Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, but including redundancies as £50k or more in bands of £5k were:

Remuneration Band in £'s	Number of employees		Number of employees	
	Non Schools	Schools	Non Schools	Schools
	2017/18	2017/18	2018/19	2018/19
50,000 - 54,999	25	5	29	4
55,000 - 59,999	7	4	18	7
60,000 - 64,999	5	3	6	2
65,000 - 69,999	3	2	5	3
70,000 - 74,999	2	0	3	2
75,000 - 79,999	1	1	1	1
80,000 - 84,999	3	1	2	2
85,000 - 89,999	2	0	1	0
90,000 - 94,999	2	0	3	0
95,000 - 99,999	0	0	0	0
100,000 - 104,999	3	1	1	0
105,000 - 109,999	0	0	1	1
110,000 - 114,999	1	0	0	0
115,000 - 119,999	0	0	1	0
120,000 - 124,999	1	0	1	0
195,000 - 199,999	0	0	1	0
	55	17	73	22

24. Employee Remuneration – 2018/19

		Remuneration Salary (including supplements)	Expense Allowances	Compensation for Loss of Office	Employers Pension Contributions	Total payments including Pension Contributions
		2018/19	2018/19	2018/19	2018/19	2018/19
		£	£	£	£	£
Chief Executive		127,196	564	69,604	20,606	217,970
Strategic Director - Corporate Services	Note 1	118,664	0	0	19,223	137,887
Strategic Director - Place		105,399	281	0	17,075	122,755
Strategic Director - People		121,066	9	0	0	121,075
Service Unit Head - Financial Services	Note 1	104,579	441	0	16,942	121,962
Service Unit Head - Commissioning & Improvement Services and Housing & Community Services		93,603	580	0	15,164	109,347
Service Unit Head - Adult Social Care Services	Note 1	93,896	122	0	15,211	109,229
Service Unit Head - ICT Services	Note 1	92,952	0	0	15,058	108,010
Service Unit Head - Children, Young People & Learning Services		87,248	0	0	18,351	105,599
Service Unit Head - Growth & Infrastructure Services		84,658	1,393	0	13,714	99,765
Service Unit Head - Culture & Community Services		73,191	763	0	11,857	85,811
Totals		1,102,452	4,153	69,604	163,201	1,339,410

Where joint services are operating a post will have an 'employing authority' and the full costs of such posts are shared.

Note 1 Poole is the employing authority for the Strategic Director - Corporate Services and Service Unit Heads for Financial, ICT and Adult Social Services, hence the full costs are shown above. Corporate Services encompasses responsibility for Business Improvement Theme Services

Note 2 There is a joint interim arrangement has been made to cover previous post of Service Unit head Environmental Services with two existing employees acting up for which an allowance is paid.

Note 3 The Service Unit Head posts for Legal, Democratic & Strategy Services and Human Resources are now shared with Bournemouth Borough Council as part of joint service arrangement. These costs are not shown in the above table but are within the Comprehensive Income and Expenditure Statement. The individuals are employed directly by Bournemouth Borough Council and disclosed in their accounts so are excluded from this note. The Head of Legal, Democratic & Strategic Services costs are £120k, the appropriate share is recharged to this Council, including national insurance plus pension. The Head of Human Resources costs amount to £104k, the appropriate share is recharged to this Council, including national insurance plus pension.

Note 4 Children and Young People Social Care is now being covered by an Interim worker paid through an Agency. The costs amounts to £141k during 2018/19 - these costs are not included above.

24. Employee Remuneration – continued 2017/18

		Remuneration Salary (including supplements)	Expense Allowances	Compensation for Loss of Office	Employers Pension Contributions	Total payments including Pension Contributions
		2017/18	2017/18	2017/18	2017/18	2017/18
		£	£	£	£	£
Chief Executive		120,823	0	0	19,573	140,396
Strategic Director - People		101,287	0	0	0	101,287
Strategic Director - Place		101,860	0	0	16,766	118,626
Strategic Director - Corporate Services	Note 1	113,120	0	0	18,325	131,445
Service Unit Head - Financial Services	Note 1	102,541	0	0	16,612	119,153
Service Unit Head - Adult Social Care Services	Note 1	93,078	0	0	15,079	108,157
Service Unit Head - Commissioning & Improvement Services and Housing & Community Services		92,573	0	0	14,997	107,570
Service Unit Head - Children, Young People & Learning Services		85,550	0	0	17,538	103,088
Service Unit Head - ICT Services	Note 1	82,170	0	0	13,312	95,482
Service Unit Head - Growth & Infrastructure Services		80,692	0	0	13,072	93,764
Service Unit Head - Culture & Community Services		70,703	0	0	11,454	82,157
Service Unit Head - Environmental Services	Note 2	33,090	0	55,434	5,360	93,884
Service Unit Head - Legal, Democratic & Strategy Services	Note 3	6,917	0	0	1,121	8,038
Service Unit Head - Human Resources	Note 3	0	0	0	0	0
Service Unit Head - Children & Young People Social Care Services	Note 4	0	0	0	0	0
Totals		1,084,404	0	55,434	163,209	1,303,047

Where joint services are operating a post will have an 'employing authority' and the full costs of such posts are shared.

Note 1 Poole is the employing authority for the Strategic Director - Corporate Services and Service Unit Heads for Financial, ICT and Adult Social Services, hence the full costs are shown above. Corporate Services encompasses responsibility for Business Improvement Theme Services

Note 2 Service Unit Head - Environmental Consumer Protection left the authority 30th September 2017. Joint interim arrangement has been made to cover this post with two existing employees acting up for which an allowance is paid.

Note 3 Service Unit Head - Legal, Democratic & Strategy Services left the authority 30th April 2017. The Service Unit Head posts for Legal, Democratic & Strategy Services and Human Resources are now shared with Bournemouth Borough Council as part of joint service arrangement. These costs are not shown in the above table but are within the Comprehensive Income and Expenditure Statement. Employed directly by Bournemouth Borough Council and disclosed in their accounts so are excluded from this note. The Head of Legal, Democratic & Strategic Services salary is £101k, the appropriate share is recharged to this Council, including national insurance plus pension. The Head of Human Resources salary is £82k, the appropriate share is recharged to this Council, including national insurance plus pension.

Note 4 Children and Young People Social Care is now being covered by an interim worker paid through an Agency. The costs amounts to £132k during 2018/19 - these costs are not included above.

25. Termination benefits and exit packages

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £298k (2017/18: £2,552k) including any payments in lieu of notice. This payment was in respect of 108 officers and school staff including those who were made redundant as part of the Council's continued rationalisation of services.

Exit Package Cost bands (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
				£'000
<u>2018/19</u>				
£0 - £20,000	3	21	24	185
£20,001 - £40,000	-	2	2	43
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	70
Totals for 2018/19	4	23	27	298
<u>2017/18</u>				
£0 - £20,000	16	51	67	599
£20,001 - £40,000	2	17	19	491
£40,001 - £60,000	-	11	11	551
£60,001 - £80,000	-	6	6	428
£80,001 - £100,000	1	2	3	264
£100,001 - £120,000	-	2	2	219
Totals for 2017/18	19	89	108	2,552

14 Members of staff with a total exit cost of £185k will be recharged to Stour Valley and Poole Partnership (60% of the cost)

1 member of staff has also been recharged to the Borough of Poole at a cost of £184k as part of the sharing of Local Government Reorganisation costs. This amount is not included in the note above but included in the authorities Income and Expenditure statement.

26. 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 to non-audit services provided by the Council's external auditors.

	2018/19 £'000	2017/18 £'000
Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year	73	94
Fees payable to External Auditors for the certification of Grant Claims and Returns for the year	20	17
Total	93	111

27. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resource.

	Central Expenditure £000's	Individual Schools Budgets £000's	Total £000's
DSG budgeted for 2018/19			97,318
Less academy figure recouped for 2018/19*			(62,482)
Total DSG after academy recoupment for 2018/19			34,836
Plus: brought forward from 2017/18			564
Less: carried forward to 2019/20 agreed in advance			(564)
Agreed initial budgeted distribution in 2018/19	13,180	21,656	34,836
In year adjustments	294	902	1,196
Final budgeted distribution 2018/19	13,474	22,558	36,032
Less: actual central expenditure	12,934		12,934
Less: actual ISB deployed to schools & early years providers		22,408	22,408
Plus local authority contribution for 2018/19	0	0	0
Carry forward to 2019/20	540	150	1,254

* Includes Early Years estimated adjustment, additional High Needs block allocation and accruals for 18/19 business rates and pupil growth recouped by the EFA.

28. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

Credited to Taxation and Non Specific Grant Income	
2017/18	2018/19
£000's	£000's
(4,878) General government grants (Revenue Support Grant)	(1,725)
(15) Local Services Support Grant	(17)
0 Section 31 Grants	0
(2,418) NDR Compensation for government initiatives	(2,946)
(2,158) New Homes Bonus Grant	(1,777)
(862) Transitional Support Scheme Grant	0
(10,331) Total General Government grants (non specific)	(6,465)
(74,435) Precept demanded from Collection Fund	(80,035)
(942) Declared surplus/deficit 15 January purposes	(1,046)
258 Actual surplus/deficit	753
(75,119) Total Income from Council Tax	(80,328)
(27,960) Precept demanded from Collection Fund	(27,332)
(1,159) Declared surplus/deficit 15 January purposes	0
(641) Actual surplus/deficit	93
13,089 Tariff payment to Central Government	13,116
1,066 Levy payable to Central Government	109
(15,605) Total Income and Expenditure from Localised Non Domestic Rates	(14,014)
(59) Devolved Formula Capital Grant	(174)
(149) Schools Capital Grants	(1,049)
(9,461) Local Transport Plan, Maintenance, Sustainable Transport, Bus Fund	(9,063)
(140) Coastal Protection	(694)
0 Heritage Lottery	(801)
(2,817) Developer contributions	(11,793)
(166) Other contributions	(328)
(12,792) Total Capital Grants and contributions	(23,902)
(113,847) Total Credited to Taxation and Non Specific Grant Income	(124,709)

Credited to Services	
2017/18	2018/19
£000's	£000's
Directly	
(43,756) Housing benefits	(36,640)
(38,328) Dedicated Schools Grant	(36,031)
(1,668) Pupil Premium	(986)
(268) Education Services Grant	0
(1,938) Sixth Forms funding from Education Funding Agency	(2,009)
(568) Independent Living Fund	(550)
(2,338) Improved Better Care Fund	(3,018)
(641) Adult Social Services Support	(398)
0 Winter Pressures	(637)
(155) Other grants related to Adult Social Care	(151)
(331) Universal Free School Meals	(50)
(945) LSC grant for Adult Education	(923)
(617) Unaccompanied Asylum Seeking Children	(734)
(421) Other grants related to supporting children services	(783)
(274) Other Highways related	(198)
(529) Troubled Families	(573)
(598) Homelessness Prevention	(755)
(7,794) Public Health Transfer	(7,594)
(713) Other miscellaneous grants	(860)
(101,882) Grants Credited to Services directly	(92,890)
(722) Other education and children social care	(727)
(6,177) Adult social care	(9,510)
0 Housing revenue account related	0
(165) Transportation including bus subsidy	(349)
(3,629) Culture, environment and planning	(4,112)
(230) Non domestic rates collection contribution	(232)
(4,024) Local Authority Contributions	(5,012)
(280) Other miscellaneous contributions	(319)
(15,227) Contributions Credited to Services directly	(20,261)
Via revenue expenditure funded by capital under statute	
(1,098) School related grants	(2,541)
(1,082) Disabled facilities and private sector renewal	(828)
(7) Other capital grants	(26)
(266) Other contributions including developer	(97)
(2,453) Grants and contributions credited to Services as REFCUS	(3,492)

As at 31st March 2018 £000's	Capital grants and contributions receipts in advance	As at 31st March 2019 £000's
	(5,598) Capital Maintenance, Basic Need and building schools for the future	(2,796)
	(5,347) Other General fund grants	(4,812)
	(494) LPSA Reward Grant	(433)
	(11,439) Total Capital Grants	(8,041)
	Capital Contributions	
	(268) Third parties such as NHS and other local authorities	0
	(1,290) Developer contributions transport & highways	(1,484)
	(1,693) Developer contributions recreational	(1,482)
	(5,784) Other developer contributions including community infrastructure levy	(3,210)
	(9,035) Other Contributions	(6,176)
	(20,474) Capital Grants and Contributions Receipts In Advance	(14,217)
	Values associated with revenue accounts receipts in advance:	
	(900) Government Departments	(957)
	(3,746) Other contributions	(4,425)
	(210) Health Authorities	(3)
	(229) Other local authorities	0
	(5,085) Other Grants and Contributions Receipts In Advance	(5,384)

29. Related Party Transactions

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 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 significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants 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 analysis in Note 28.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2018/19 is shown in Note 23. All Members declare any interests within the Register of Member's Interests.

Similarly, senior officers are required to make a declaration of interests in connection to their post. The following bodies should be shown as related parties for officers.

	2018/19	2017/18
	£'000	£'000
Safewise	13	13

However, Member and Officer representation exists within the following organisations:

- Bournemouth Orchestras and South West Concerts Board (Grant £80k) (2017/18 £82k)
- Police Authority (note 1 Collection Fund £12,369k) (2017/18 £10,968k)
- Dorset Fire and Rescue Service (Collection Fund £4,564k) (2017/18 £3,979k)
- Poole Arts Trust Limited. The Council granted £431k and also provides the Arts Centre at a peppercorn rent, (2017/18 £442k)
- Various voluntary bodies. Some voluntary organisations are in receipt of grants which are only made after proper consideration of declarations of interest.

There were no outstanding balances with these organisations as at 31st March.

Other Public Bodies (subject to common control by Central Government)

Pension Fund details of transactions with the Pension Fund is given in Note 32 to the accounting statements.

Other Public Bodies there were no exceptional transactions with other public bodies during the year. Note 1 to the Collection Fund details transactions with the Police and Fire Authorities who are both precepting bodies.

The Council has a joint arrangement with Bournemouth Borough Council and Dorset County Council for the delivery of Adult Learning Services. All authorities record their share of income and expenditure within their own accounts. It also has a joint arrangement with the Councils of North, Christchurch and East Dorset, for the delivery of services relating to housing and council tax benefit, and income collection including recovery.

30. Pooled Budgets

The Council contributes to the Better Care Fund using the Section 75 agreement mechanism. Section 75 of the Health Act 2006 contains powers that enable health and local authorities to work together for the benefit of clients of their services by using pooled budgets and the delegation of functions. A pooled budget is a mechanism by which the partners to the agreement bring money to form a discrete fund. The purpose and scope of the fund is agreed at the outset and then used to pay for the services and activities for the relevant client group.

There are 4 overarching schemes in the pan Dorset Better Care Fund for 2018/19 and these have been reviewed to identify the substance of each scheme for accounting purposes. None of the schemes have been identified as joint arrangements within the IFRS definition.

The Council contributed to two pooled budgets within the Better Care Fund during 2018/19 - Integrated Community Equipment Store and Moving on from Hospital Living.

Integrated Community Equipment Store

Within the Better Care Fund, for 2018/19 the Community Equipment scheme is provided as a pan Dorset service, bringing together the previous two arrangements for Dorset County Council, Bournemouth Borough Council, Borough of Poole and the Dorset Clinical Commissioning Group (CCG) areas respectively. Bournemouth Borough Council is lead commissioner for the pan Dorset service and there is a risk share agreement covering the contributions to the scheme, requiring a pooled budget arrangement. Bournemouth Borough Council acts as the host authority for this budget. The scheme commenced in 2010.

Moving on From Hospital Living

For the second year, the Better Care Fund has included a pooled budget for people moved on from hospital living. This has brought together budgets from the Borough of Poole, Bournemouth Borough Council, Dorset County Council and the Dorset Clinical Commissioning Group. Individual Authorities are lead commissioners for their respective expenditure. The Borough of Poole is leading the co-ordination of the overall pooled budget and risk share arrangements.

31. Capital Financing Requirement and Provision for the Repayment of Debt

This is a statutory requirement to set aside a minimum revenue provision (MRP) for the repayment of external loans. The Prudential Code requires that the Council calculates its 'Capital Financing Requirement' as at the end of the previous financial year and follows the guidance within the code to set aside a minimum amount from the general fund revenue account for the repayment of debt. There is no such requirement for the Housing Revenue Account.

General Fund £000's	Restated		Capital Financing Requirement	General Fund £000's	HRA £000's	2018/19 £000's
	HRA £000's	2017/18 £000's				
55,588	94,974	150,562	Opening Balance 1st April 2018	65,058	86,456	151,514
23,496	9,183	32,679	Capital Expenditure financed in year	25,214	10,725	35,939
0	(1,384)	(1,384)	Application of Capital Receipts	0	(1,397)	(1,397)
(13,247)	0	(13,247)	Application of Capital Grants and contributions	(16,576)	0	(16,576)
(4,827)	(7,798)	(12,625)	Application of Reserves	(1,902)	(9,328)	(11,230)
(4,052)	0	(4,052)	Less MRP including voluntary (see below)	(1,039)	0	(1,039)
0	(419)	(419)	Capital receipts set aside on attributable debt	0	(259)	(259)
8,100	(8,100)	0	Net Debt transfer from the HRA to the General Fund	3,542	(3,542)	0
65,058	86,456	151,514	Total Capital Financing Requirement as at 31st March 2019	74,297	82,655	156,952
<i>Explanation of movements in year</i>						
5,423	0	5,423	Increase in need for borrowing (in year)	6,921	0	6,921
0	0	0	Movement in borrowing need re property transfer	(184)	0	(184)
0	(419)	(419)	Movement re receipts set aside	0	(260)	(260)
(4,052)	0	(4,052)	Reduced by MRP including voluntary in year	(1,039)	0	(1,039)
1,371	(419)	952	Increase/(decrease) in Capital Financing requirement	5,698	(260)	5,438

32. Pension Schemes Accounted for as Defined Contribution Schemes

Participation in pension schemes

As part of the terms and conditions of employment the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments and these are required to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

The Local Government Pension Scheme (LGPS) administered by Dorset County Council.

It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Teachers' Pensions Scheme (TPS) administered by the Department for Education (DFE).

It provides teachers with defined benefits upon their retirement, and the Council contributes towards costs by making contributions based on a percentage of members' pensionable salaries. It is a defined benefit scheme, however it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. Therefore, for the purposes of this Statement of Accounts, it is accounted for as a defined contribution scheme.

The scheme is nationally funded and from 1 April 1997 the council has contributed to the scheme. In 2018/19 the contributions paid by the council were £1,615k. The employer's rate was 16.48%. (2017/18 contributions £1,919k, employers rate was 16.2%).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed on the following pages.

They are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

There are no plan assets built up to meet these pension liabilities.

Local Government Pension Scheme (LGPS)

Transactions Relating to Post-employment Benefits. The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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 Balance via the Movement in Reserves Statement.

The requirements of IAS 19 require the exclusion of accrued sums and therefore payments are now made on account to ensure that any year end adjustment is of a minimal sum. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement. The following transaction has been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserve Statement during the year.

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- Service Cost	19,568	37,785
- Administration Cost	329	272
	<hr/>	<hr/>
	19,897	38,057
Financing and Investment Income and Expenditure		
- Net Interest Expense	6,720	7,546
	<hr/>	<hr/>
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	26,617	45,603

Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:

Remeasurement of the Net Defined Benefit Liability

comprising:		
- Return on Plan Assets (excluding the amount included in the net interest expense)	(9,139)	(8,930)
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	(40,418)	-
- Actuarial Gains and Losses arising on changes in Financial Assumptions	32,968	(33,422)
- Other	-	-
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	10,028	3,251
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(20,613)	(39,599)
Actual amount charged against the General Fund Balance for Pensions in the year:		
- Employers' Contributions payable to the Scheme	11,754	12,220

Remeasurements and Other Comprehensive Income

The actuarial gains and losses recognised in CI&E.

	2018/19	2017/18
	£'000	£'000
Return on plan assets in excess of interest	9,139	8,930
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(32,968)	33,422
Change in demographic assumptions	40,418	-
Experience gain/(losses) on defined benefit obligations	-	-
Remeasurements recognised in CI&E	16,589	42,352

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening Fair Value of Scheme Assets 1 April	411,869	382,965
Interest Income	10,447	10,480
Remeasurement Gain / (Loss)		
- Return on Plan Assets (excluding the amount included in the net interest expense)	9,139	8,930
- Other	-	-
Administration Expenses	(329)	(272)
Contributions from Employer	11,469	12,083
Contributions from Employees into the Scheme	4,227	4,372
Benefits Paid (net of transfers in)	(17,279)	(16,072)
Receipt of Bulk Transfer Value	(1,134)	9,383
Closing Fair Value of Scheme Assets at 31 March	428,409	411,869

The actual return on scheme assets in the year was a surplus of £19,586k (2017/18 £19,410k)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening Balance at 1 April	(682,775)	(662,839)
Current Service Cost	(20,497)	(21,487)
Interest Cost	(17,167)	(18,027)
Contributions from Scheme Participants	(4,227)	(4,372)
Experience loss/gain on defined benefit obligation	-	-
Remeasurement Gain/(Loss)		
- Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	40,418	-
- Actuarial Gains/(Losses) arising on changes in Financial Assumptions	(32,683)	33,559
- Other	-	-
Past Service Cost, including Curtailments	(486)	(1,932)
Benefits Paid (Net of transfers in)	16,373	15,186
Liabilities extinguished on settlements	2,549	(23,749)
Unfunded Pension Payments	906	886
Closing Balance at 31 March	(697,589)	(682,775)

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. It is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. which are detailed below.

The independent actuary to the fund is Barnett Waddingham.

Scheme History

The following disclosure note is required for the current year and for the previous accounting period:

	2018/19	2017/18
	£'000	£'000
Fair Value of Scheme Assets (bid value)	428,409	411,869
Local payment	-	-
Present value of Scheme Liabilities	(692,291)	(671,317)
Unfunded teachers	(10,406)	(11,457)
Closing Fair Value of Scheme Assets at 31 March	<u>(274,289)</u>	<u>(270,905)</u>

The total contributions the Actuary expects to be made to the scheme by the council in the year to March 2019 are £10,243k.

Local Government Pension Scheme Assets Comprised:

	2018/19	2017/18
	£'000	£'000
Equities	217,858	222,626
Gilts	55,454	53,926
Other Bonds	30,308	28,867
Diversified Growth Fund	25,400	24,901
Property	66,903	60,899
Infrastructure	19,653	14,865
Hedge Fund	-	-
Cash	12,833	5,784
	428,409	411,868

The principal assumptions used by the actuary have been:

	2018/19	2017/18
	Years	Years
Mortality assumptions		
Longevity at 65 for current pensioners		
- Men	22.9	24.0
- Women	24.8	26.1
Longevity at 65 for future pensioners		
- Men	24.6	26.2
- Women	26.6	28.4

The principal inflation used by the actuary have been:

	2018/19	2017/18
	%	%
Rate of inflation – RPI increases	3.40	3.30
Rate of inflation – CPI increases	2.40	2.30
Rate of increase in Salaries	3.90	3.80
Rate of increase in Pensions	2.40	2.30
Rate for Discounting Scheme Liabilities	2.40	2.55

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

There have been relatively modest movements in regards to the net pension liability, service cost and associated movements within the Pension fund. These movements are due the differing assumptions that the actuaries have applied to the pension valuation. One notable change in the assumptions this year is in respect of the mortality projections where the actuary has indicated that it is now assumed that the improvements in mortality which have slowed in recent year is “a new trend rather than a blip”. This has an impact upon the overall liabilities of the scheme, which is reflected in the figures reported here and which will be factored into the next valuation in 2020.

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	684,474	697,588	710,968
Projected Service Cost	19,906	20,385	20,876
Adjustment to long term salary increase	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	697,588	697,588	696,240
Projected Service Cost	20,385	20,385	20,385
Adjustment to pension increases and deferred revaluation	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	709,598	697,588	685,809
Projected Service Cost	20,876	20,385	19,905
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Obligation	723,507	697,588	672,628
Projected Service Cost	21,035	20,385	19,755

33. Contingent Liabilities

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

There is a potential liability to upgrade Ashmore Avenue level crossing, which is dependant on Level Crossing safety legislation, currently under review by Central Government. Network Rail's decisions on the 2012/13 Poole - Wool Resignalling Project work confirm that Ashmore Ave level crossing is not included. However, from 2013/14 on, there is a risk that Network Rail or the Office of Rail Regulation could seek an upgrade, consequent on the changes to national legislation on Level Crossings.

34. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Short Term	
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	Restated		Restated	
	£'000	£'000	£'000	£'000
Financial Assets				
Loans and receivables				
Investments	-	7,500	-	37,125
Debtors (Note 13)	-	-	-	13,302
Long term debtors	-	2,179	-	-
Cash and Cash Equivalents (Note 14)	-	-	-	926
Total Financial Assets - Loans and receivables	-	9,679	-	51,353
Financial assets at fair value through profit and loss				
Investments	-	-	32,604	-
Debtors	-	-	-	-
Financial assets at amortised cost				
Investments	-	-	7,527	-
Debtors	1,939	-	-	-
Cash and cash equivalents	-	-	917	-
Financial assets at fair value through other comprehensive income				
Investments	-	-	-	-
Debtors	-	-	-	-
Total Financial Assets	1,939	9,679	41,048	51,353
Financial Liabilities				
Financial liabilities at fair value through profit and loss				
Borrowing	-	-	-	-
Creditors	-	-	-	-
Financial liabilities at amortised cost				
Long term borrowing	(81,372)	(90,032)	-	-
Short term borrowing	-	-	(8,778)	(1,218)
Creditors and depositors (Note 15)	-	-	(24,464)	(28,658)
Developers' contributions	(17,001)	(9,062)	-	-
Cash and Cash Equivalents - Bank Overdraft (Note 14)	-	-	(4,555)	(5,095)
Total financial liabilities	(98,373)	(99,094)	(37,797)	(34,971)

Further to the adoption of IFRS9 Financial Instruments by the Code of Practice for Local Authority Accounting all financial assets and liabilities previously shown in the Balance Sheet as investments and borrowing have been reclassified. The effective date for the adoption of IFRS9 was 1 April 2018. Changes to the opening Balance Sheet for the year were considered but not made as these were not deemed material.

Consequential to the adoption of IFRS9 there is a change of policy in relation to how certain financial assets are presented in the accounts. Thus, cash funds previously held for the purposes of short-term cash management and recorded as cash and cash equivalents on the Balance Sheet are now held as short-term investments, albeit with the same objectives. The Balance Sheet for 2017/18 has been restated accordingly as required by the Code of Practice and these cash funds (incorporating what are known as cash plus funds and money market funds) are shown as financial assets at amortised cost. These types of financial assets are held at amortised cost on the Balance Sheet and any changes in fair value are initially debited or credited to the Comprehensive Income and Expenditure Statement (CIES) but then reversed out in the Movement in Reserves Statement to mitigate the impact upon the general fund balance. This treatment is unique to these types of funds as the result of a change in the relevant statute: fair value changes in respect of other financial assets held at amortised cost are recognised in the CIES as they occur.

Financial Instruments – Income, Expense, Gains and Losses

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net (gains)/losses on :-				
Financial assets at fair value through profit and loss	(4)	-	-	-
Financial assets at amortised cost	45	-	286	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
Total net (gains)/losses	41	-	286	-
Interest revenue				
Financial assets at amortised cost	(406)	-	(215)	-
Other financial assets at fair value through other comprehensive income	-	-	-	-
Total interest revenue	(406)	-	(215)	-
Interest expense	3,146	-	3,161	-

Fair value of financial assets and financial liabilities that are not measured at fair value (but for which fair value disclosures are required)

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments.

In the table below investments have been restated following the reclassification of certain cash and cash equivalents to this category. The main difference between carrying amount and the fair value of borrowing is with respect to the PWLB loans and this reflects the fact that the average rate of interest being paid on existing borrowing is higher than current rates of new borrowing which are at historically low levels.

	Level	31st March 2019		31st March 2018	
		Carrying Amount	Fair Value	Carrying Amount restated	Fair Value restated
		£'000	£'000	£'000	£'000
Financial assets carried at amortised cost					
Investments	2	7,527	7,519	44,625	44,625
Debtors	3	20,982	20,982	15,481	15,481
Cash and cash equivalents	2	917	917	926	926
Total Financial Assets		29,426	29,418	61,032	61,032
Financial liabilities carried at amortised cost					
PWLB borrowing	2	(80,783)	(103,954)	(81,200)	(104,901)
Other borrowing	2	(9,249)	(9,195)	(9,928)	(9,928)
Creditors	3	(24,464)	(24,464)	(28,658)	(28,658)
Developers' contributions	2	(17,001)	(17,001)	(9,062)	(9,062)
Bank (overdrawn)	2	(4,555)	(4,555)	(5,095)	(5,095)
Accrued interest	2	-	-	(122)	(122)
Total Financial Liabilities		(136,052)	(159,169)	(134,065)	(157,766)

Interest due but not paid as at 31 March is accrued in the accounts. The position at 31 March 2018 was shown separately; the position at 31 March 2019 is included in the relevant figures in the body of the table above.

Financial and non-financial assets and liabilities measured at Fair Value are classified in accordance with three levels as shown below:

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

The fair value hierarchy of the financial assets and financial liabilities is shown in the table above.

The 'fair value' of the PWLB loan has been calculated in accordance with IFRS13. As in prior year, the loan falls within 'Level 2 hierarchy' of fair value measurements. Its fair value has been estimated by calculating the net present value of the remaining loan repayments at 31 March 2019. Additionally, were the loan to be repaid at 31 March 2019, Poole's repayment would increase from £80,783k (book value) to £124,008k (an increase of £43,225k). The increase in PWLB loan payable (to book value) reflects the cost of premature repayment' of debt at rates set by PWLB.

The fair value of loans payable to other local authorities, the Salix Finance Ltd loans payable and for loans receivable is assessed by reference to prevailing market rates. These also fall within level 2 of the fair value hierarchy.

The fair value of the pooled investment funds is based on the purchase price of the equivalent investment as at 31 March 2019. As such, these are within the Level 1 hierarchy as these products are readily available at quoted market prices.

The fair value of other financial assets held at amortised cost such as trade debtors and other receivables (short term debtors) and of financial liabilities held at amortised cost such as trade creditors has been taken to be the same as the invoiced or billed amount.

Financial assets held at amortised cost include deferred payments for services granted under The Health and Social Care Act. These items are required to be classed as 'soft loans' by the Council, the write down arising from valuing loans at fair value to the income and expenditure account. This amount can then be reversed out to the Financial Instruments Adjustment Account through the Movement in Reserves Fund Balances. The Code allows authorities to apply de minimus levels in assessing whether there is a need to action the adjustments. The adjustment required would not be material and has not been applied to the accounts.

In addition to soft loans which have been advanced by the Council, the Council has also been the recipient of a number of loans from Salix Finance Ltd, which are used to fund energy saving efficiency measures to deliver long-term savings but which are calculated to payback the investment in the short-term. A total of £3.225m was given to the Council, the balance at 31 March 2019 was £1.749m and the loans will all be repaid by 2023. Given the low interest rates over the period that these loans were advanced, the impact upon the accounts of adjusting for the difference between the interest free rate at which the Salix loans were advanced, interest rates at that time and the shorter period for paying back these loans, no adjustment has been made to the accounts on the grounds that this would not be material.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council. It can be represented by a contractual obligation to deliver cash or financial assets or through an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount the Council will have to pay if the lender requested or agreed the early repayment of loans.

The Council's loan portfolio at year end consisted of PWLB loans, interest free Salix loans and a loan from another local authority. It also utilises a bank overdraft facility as part of its daily treasury management activity.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For simple loans the effective interest rate normally equates to the same as the actual rate payable on the instrument.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and

unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value Through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

Allowances for impairment losses should be calculated for amortised cost assets, applying the expected credit losses model. This approach is useful when there are a large number of comparable financial liabilities and this methodology which assesses current and prospective losses according to a weighted probability of losses occurring. The Council used an alternative methodology for calculating losses on assets by reviewing most financial assets individually rather than as a class of asset. Consequently, this methodology is used to calculate losses which are then debited to the CIES as a proxy for the expected credit losses required to be calculated under IFRS9. Not all assets will have an expected loss as the debt may be held against a guarantee or property.

Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. The opening balances for the amortised cost assets would not be materially affected by the expected credit losses and no change to the value of these in the Balance Sheet as at 1 April 2018 has been made..

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise. Ordinarily this would have an impact upon the General Fund balance: the exception to this is in respect of fair value changes to funds held in pooled investment funds where gains and losses are recorded in an unusable balance sheet reserve. The authority invests in a number of these funds – called money market funds and cash plus funds – and a small net gain of £4k as at 31 March 2019 has been transferred to this new reserve (i.e. the Pooled Investments Adjustments Account).

One further exception to the expected credit losses model applies to investments with Government or other local authorities as there are statutory provisions in place to prevent default on these debts.

Disclosure of nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of 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 for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council has only £7.5m in fixed term investments at 31 March 2019 at a fixed rate on interest. This is due to be repaid in 2019/20. This will enable the Council to take advantage of potential market changes effectively.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by 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.

Credit Risk Exposure

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are placed with approved institutions of sufficiently high credit quality as set out in the Treasury Management Strategy. An upper limit of £10m/20% of the total portfolio is placed on the amount of money that can be invested with a single counterparty with the exception of investments with the Debt Management Office. The Council also sets a group investment limit for institutions that are part of the same banking group. No more than £10m can be invested for a period of longer than one year. The Council uses many sources of information when selecting appropriate counterparties for its investments. One method is the use of credit ratings which are taken from all three rating agencies, Fitch, Standard and Poor's, and Moody's, the lowest rating from the three is used when arriving at the minimum acceptable credit risk.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and un-collectability over the last five years, adjusted to reflect current market conditions.

Investments / deposits are made in accordance with the Council's approved Treasury Management Strategy, and are placed with highly rated organisations. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings set by the Council. All in-year short term loans to local authorities have been settled fully and on-time.

Liquidity Risk Exposure

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. Over the short to medium term, cash is invested in overnight money market funds, notice accounts, bank deposits and short term loans to other local authorities. The Council aims to keep sufficient cash resource available to meet daily operational needs, and also has ready access to borrowings from the Public Works Loan Board (PWLB), if required. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will have to consider a significant proportion of its borrowings at a time of unfavourable interest rates. In order to manage the risk of a significant proportion of its borrowings at a time of unfavourable interest rates the Council has spread the maturity profile of its long term borrowing over a number of years.

Short term as at 31 March 2018 £'000	Long term as at 31 March 2018 £'000		Short term as at 31 March 2019 £'000	Long term as at 30 March 2019 £'000
Analysis of loans by type				
(417)	(80,783)	Public Works Loans Board (PWLB)	(417)	(80,366)
(679)	(1,749)	Salix Finance Ltd	(743)	(1,006)
-	(7,500)	Local authority loan	(7,500)	-
(96)	(99)	Interest due but not paid as at 31 March	(118)	-
(1,191)	(90,131)	Total outstanding	(8,778)	(81,372)
Analysis of loans by maturity				
(96)	(99)	Interest due but not paid as at 31 March	(118)	-
(1,096)	-	Within the next year	(8,660)	-
-	(8,660)	Between 1 and 2 years	-	(10,915)
-	(12,255)	Between 2 and 5 years	-	(1,549)
-	(208)	Between 5 and 10 years	-	-
-	(25,000)	Between 10 and 20 years	-	(25,000)
-	0	Between 20 and 30 years	-	-
-	(43,908)	Greater than 40 years	-	(43,908)
(1,191)	(90,131)	Total long term loans and related interest	(8,778)	(81,372)

Market Risk - Interest Rate Risk Exposure

As all of the Council's external borrowing is at fixed rates of interest, it is only exposed to the risk of interest rate movements on investments. Bank deposits and sums loaned to other local authorities are all made at a fixed rate of interest.

Investment at variable rates - the interest credited to the income and expenditure account will rise

Investment at fixed rates- the fair value will fall. Where fixed rate investments have short maturities, the effect will be similar to that for variable investments, as the replacement investments will generate more income. The Council monitors interest rate movements on a daily basis.

If interest rates had been 1% higher through 2018/19 (with all other variables held constant), the financial effect on the Council's interest earned would be:

	2018/19 £'000	2017/18 £'000
Increase in interest payable on borrowings *	0	0
Increase in interest receivable on variable rate investments	570	378
Impact on Comprehensive Income and Expenditure Account (from increased investment income)	570	378
Share of overall impact (credited) / debited to the HRA	(96)	28

* nil as all of the Council's borrowing is at a fixed rate of interest

35. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and it's position at the year end of 31 March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. It has been prepared, except where mentioned in the notes below, in accordance with proper accounting practices primarily comprising:

- the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19;
- and supported by International Financial Reporting Standards (IFRS).

Throughout the presentation of financial accounts figures, expenditure, income reductions and deficits are shown without brackets; income, expenditure reductions and surpluses within brackets. This is with the exception of Note 31 Retirement Benefits which is shown in accordance with actuarial standard practice.

The purpose of this Statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non - current assets and financial instruments. These accounts have been prepared on the basis that the Council is a going concern.

b. 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:

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction 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 - 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 made by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might be collected.

The accounts contain all transactions relating to income derived from council housing rentals and all expenditure in relation to the management and maintenance of the council housing stock. All accruals of income and expenditure are accounted for in the same way as is referenced in the above paragraphs. The accounts contain comprehensive notes specifically in relation to the Housing Revenue Account (HRA) so that the reader of the accounts can see the values that are consolidated within the main statements.

Analysis of debtors and creditors can be found in the Notes 13 and 15 to the Financial Statements.

VAT is included in income and expenditure accounts, only to the extent that is irrecoverable.

c. Council Tax and Non-Domestic Rates

Billing authorities (of which Poole is one) act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. For NDR this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as the Poole Borough. For Council Tax the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as the Borough of Poole Precepts

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

Accounting for Council Tax and NDR

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

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

Further information is contained within the Collection Fund Accounts

d. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

e. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

f. Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the period as if the new policy had always been applied.

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

g. Charges to Revenue for Non-Current Assets

General Fund Service Revenue Accounts, Central Support Services, Trading Accounts and the Housing Revenue Account are charged with the following items to record the real cost of using assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations and therefore these charges are appropriated back out to the Capital Adjustment Account via the adjustments between accounting basis and funding basis under regulations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement on a prudent basis. This sum is calculated in line with statutory guidance (for supported borrowing this council uses an amount equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account activity). This amount, known as the Minimum Revenue Provision (MRP), is a charge against the General Fund Balance and is an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement. For any prudential borrowing, repayments are made, as a minimum, over the life of the asset. This is accounted for as voluntary revenue provision for capital financing and is accounted for in the same way as described for MRP. In summary depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

h. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They included such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable as at the 31st March, to give a true liability as at 31 March date. An alternative would be to use the 'next year' rate for wage and salary rates as this is when the employee takes the benefits. The accrual is charged to Surplus or Deficit on the

Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged on an accruals basis to the services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

The majority of the Council's employees are either in the Local Government Pension Scheme (LGPS) or the Teachers' Pension Scheme (TPS).

*The LGPS is administered by Dorset County Council and employer contribution levels are set by the fund administrator taking into account government regulations.

*The TPS administered by Capita Teachers' Pensions on behalf of the Department for Education set the contributions nationally.

Both schemes provide defined benefits to members, earned as employees work for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme - no liability for future payments of benefits is recognised in the balance sheet and the People - Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the TPS in the year. This is with the exception of discretionary additional pension payments made to teachers which are accounted for as a defined benefit scheme and are included within pension liabilities. The LGPS is accounted for as a defined benefit scheme and in compliance with International Financial Reporting Standard 19 (IAS 19) Retirement Benefits. In essence this requires that the accounts should reflect the liability for benefits when the Council is committed to making them, even if the actual payment will be many years into the future.

This policy is felt to be more appropriate as it means that the full cost of employing people is recognised during the period of employment and that this is consistent with the concept of total cost as defined within CIPFA's 'Service Reporting Code of Practice'.

The liabilities of the Dorset County Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. 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, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).

The assets of the Dorset County Council Pension attributable to the Council are included in the Balance Sheet at their fair value as estimated by the actuary.

The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- current service cost - the increase in liabilities as a result of years' service earned this year allocated in the Comprehensive Income and Expenditure Statement to services for which the employees worked:
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability –i.e. net interest expense for the Council –the change during the period in the net defined benefit liability that arises from the passage of time charged to Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on the plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Dorset County Council Pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby 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.

Discretionary Benefits – the Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

i. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

j. Fair Value Measurement

The Council measures surplus assets and investment properties (non-financial assets) at fair value at each reporting date. The PWLB loan which is a financial liability is recognised in the accounts at cost but disclosure notes provide its fair value for information. Fair value is the price that would be received to sell

an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Level 3 – unobservable inputs for the asset or liability

k. Financial Instruments

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. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings of the Council, this means that the amount presented in the Balance Sheet is outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are required to be classified into two types:

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

This Council only has financial assets that fall within the classification of 'loans and receivables'.

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

I. Government Grants and Contributions

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

*the Council will comply with the conditions attached to the payments, and

*the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The Council's interpretation is that if there is a right of return of the grant or contribution then the funding will be held in the receipts unapplied until such time as it is applied to relevant spend. If there is no right of return, then the grant or contribution is recognised immediately in the Comprehensive Income and Expenditure Account but is backed out through the Movement in Reserves Statement to either Earmarked Revenue Reserves or to the Capital Grants Unapplied Reserve.

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

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

m. Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the council for more than one year.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment where there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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 are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to Capital Receipts Reserve.

n. Interests in Companies and Group Accounts

The Council has interests in two companies. Firstly in its 'Arm's Length Management Organisation' PHP Ltd. Financial transactions with the company are recorded in the HRA and the Group Accounts. PHP is responsible for the management of the Council's housing stock.

Secondly in Tricuro Ltd which is a joint venture between Dorset County Council, Bournemouth Borough Council and Poole Borough Council and is principally engaged in the provision of social care provider

services for vulnerable adults. Transactions with the company are recorded within the accounts and Poole's share of pension liability is also recognised.

o. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually. They are revalued in accordance with IAS40 which requires that the fair value of investment property shall reflect the market conditions at the end of the reporting period. This is achieved using a revaluation date of 31 December and then certification from the valuers that the valuation is still appropriate for the year end reporting or with any appropriate adjustment. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rental received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

p. Joint Operations

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

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

q. Overheads and Support Services

The cost of overheads and support services are accumulated in holding accounts and then charged to the Council's service segments. The methodology adopted by the Council is in line with the recommended charging principles contained within the CIPFA Service Reporting Code of Practice 2018/19 and on a full cost basis.

Exceptions to this are limited to:

- Corporate and Democratic Core – cost 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.

r. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non current assets which is charged as an expense when it is incurred. The Council operates to a working deminimus of £25,000.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset in to working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use i.e. existing use value (EUV). Where there is no market-based evidence and/or because of the specialist nature of an asset, then depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year- end, but as a minimum every five years. 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 by:

- 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 line in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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 line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

Depreciation

Depreciation is provided on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). It is charged in full in any year of disposal but not in the year of acquisition. Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer and council dwellings are based on the life of components. Asset lives range between 5 and 60 years.
- vehicles, plant, furniture and equipment - straight line allocation over useful economic life dependent upon asset type and generally after consulting with relevant officers using asset lives ranging between 5 and 20 years.
- infrastructure - straight line allocation ranging between 10 and 125 years.

Information relating to useful economic lives of individual assets is recorded in the Fixed Asset Register. Newly acquired assets are depreciated from the year after acquisition. Where a material item of PPE has major components, whose cost is significant in relation to the total cost of the item, and the UELs are different and would create a distortion to the charge made in the Comprehensive Income and Expenditure Statement, then these will be depreciated separately. The application of this IFRS standard is prospective, that is to be applied to assets at the point of revaluation, enhancement or acquisition. A de minimus level of £2m is being used for the level at which an individual asset needs to be considered for componentisation and the component would need to be at least 20% of the value

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 their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non –current assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Service. 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. Council dwellings being sold to tenants under Right to Buy legislation will not be held in this category as the certainty of the selling decision does not rest with the Council. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory

deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be 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 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 non-current 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.

Recognition of school assets and transfer of schools to academy status

The accounting treatment of land and buildings for each school is based on the legal framework underlying each type of school and any legal transfers of assets that have occurred. School assets are retained on the Balance Sheet until they are transferred to their new status. At the point of transfer the asset is treated as a disposal at zero value and the loss is recognised in the Comprehensive Income and Expenditure Account as part of other operating expenditure. There is no impact on the tax payer as this loss is reversed in the adjustment between accounting basis and funding basis under regulations.

s. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle, a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent Assets

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

t. Reserves

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 in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score 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 council tax for the expenditure.

The Council also operates reserves earmarked for capital purposes with the intention of funding future capital expenditure. Termed 'capital fund' this has actually been established from revenue contributions. In addition, the Housing Revenue Account has a major repairs reserve. When the council incurs capital expenditure, the funds can be used as a source of finance. At the point of use, entries are made in the reconciling items statement and adjustments made to the capital adjustments account and the reserves.

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. Included here are private sector housing renewal loans. The Council does not recognise these as long term debtors in the accounts. Any repayments are reinvested into private sector renewal category. This treatment is also applied to capital expenditure on schools where the assets are vested within the control of the governors rather than LEA e.g. voluntary aided schools.

v. Schools

The Code confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not any Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

w. Value Added Tax (VAT)

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

36. Accounting Standards that have been issued but have not yet been adopted

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

- Amendments to IAS 40 Investment Property: Transfers of Investment
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

All of these standards will be incorporated into the Code from 2019/20 and will be complied with by the Authority. However, none have a material impact for the Council and none warrant specific disclosure in these accounts.

37. Local Government Reorganisation

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

Movement In Reserves Statement. The notes to the Financial Statements disclose the impact of the transfers rather than re-state comparative year figures.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2017/18 £'000	Note	2018/19 £'000
Income		
(19,638) Dwelling Rents (gross)	3	(19,650)
(387) Non-Dwelling Rents (gross)		(42)
(1,336) Charges for Services and facilities		(1,350)
(131) Contributions towards expenditure		(142)
- Capital Grants and Contributions		(197)
(21,492) Total Income		(21,381)
Expenditure		
5,004 Repairs and Maintenance		5,146
4,084 Supervision and Management		4,008
133 Rents, rates, taxes and other charges		132
- Revenue expenditure funded from REFCUS		-
22 Movement in the allowance for Bad Debts		71
538 Depreciation net revaluation adjustments of Non-Current Assets	6	1,367
101 Debt Management Costs		101
9,882 Total Expenditure		10,825
Net Expenditure or Income of HRA Services as included in the whole authority		
(11,610) Comprehensive Income and Expenditure Account		(10,556)
191 HRA services share of Corporate and Democratic Core		182
(11,419) Net Expenditure of HRA Services		(10,374)
HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account		
3,121 Interest payable and similar charges		3,088
(72) Interest and Investment Income		(89)
(8,370) (Surplus) or Deficit for the year on HRA services		(7,375)

Movement on the Housing Revenue Account Statement

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

2017/18 Net Expenditure £'000	2018/19 Net Expenditure £'000
(580) Balance on the HRA at the end of the previous year	(580)
(8,370) (Surplus) Deficit for the year on the income and expenditure account	(7,375)
3,958 Capital expenditure funded by the Housing Revenue Account	3,774
4,412 Reversal of Net revaluation (increases) / decreases recognised in Surplus/Deficit	3,601
- Net (Increase) or Decrease before transfers to or from Reserves	-
(580) Balance on the HRA at the end of the Current Year	(580)

NOTES TO HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to account separately for Local Authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration, government subsidy payable and capital financing costs, and how they are met by rents and other income.

2. ARM'S LENGTH MANAGEMENT ORGANISATION (ALMO)

From the 1st April 2004 the Council has established an arm's length management organisation (ALMO) with responsibility for managing its housing stock. The ALMO (company name - Poole Housing Partnership Ltd) is a company limited by guarantee, wholly owned by the Borough of Poole. The establishment of an ALMO has not involved any change in the ownership of the housing stock and the property managed by the ALMO remains within the Housing Revenue Account (HRA).

The Housing Revenue Account includes £8,304k management fee paid to Poole Housing Partnership Ltd. This is made up of £2,801k in supervision and management, £4,983k in repairs and maintenance, and £520k in capitalised expenditure. This was reduced by £277k in year to £8,027k due to efficiencies made in PHP.

3. RENT INCOME (FROM DWELLINGS)

2017/18 £'000		2018/19 £'000
	Rent Income from Dwellings	
19,886	- Rental Income	19,803
(248)	- Less void dwellings	(153)
19,638	Rental Income	19,650
£		£
85.15	Average Rent-52 week basis <i>(Based on 31st March Stock Numbers)</i>	84.28
93.43	Houses and Bungalows	92.47
77.18	Sheltered Housing	76.48
86.42	Maisonettes	85.55
93.16	Non Traditional Houses	92.24
81.91	High Rise Flats	81.07
79.45	Low Rise Flats	78.49

On the first April 2002, the Council implemented the Government's rent restructuring policy. This policy introduced a new approach to rent setting with the aim that social rents remain fair, affordable, and closely linked to the qualities tenants value in properties. The approach is being phased in over a period which would see most rents reach their Target or Formula rent by 2015/16. The Authority has followed Government guidance from the Welfare Reform and Work Act 2016 implementing four years of rent reduction that will end with the 2019/20 financial year.

4. HOUSING STOCK

The Council was responsible for managing an average stock of 4,513 dwellings (including hostel bed spaces) during 2018/19, (4,528 in 2017/18). The changes in stock are summarised as follows:-

2017/18		2018/19
4,540	Stock at beginning of Year	4,517
-	Stock reclassification	1
2	New Building and Acquisitions	5
(25)	Sales etc.	(15)
4,517	Stock + Hostels at End of Year	4,508
Analysis of Housing stock at year end :		
Flats		
1,535	One bedroom	1,533
760	Two bedroom	759
116	Three bedroom	116
Houses and Bungalows		
196	One bedroom	196
574	Two bedroom	572
1,173	Three bedroom	1,169
163	Four bedroom +	163
4,517	Stock + Hostels at End of Year	4,508

5. RENT ARREARS

2017/18 £'000		2018/19 £'000
364	Gross arrears as at Balance Sheet date <i>(current and former tenant arrears considered recoverable)</i>	405
50	Dwelling rents written off during the year	37
278	Provision for bad debts as at 31 March	310
1.86%	Current Tenant rent arrears expressed as a % of gross rent income	2.06%

6. DEPRECIATION AND REVALUATION ADJUSTMENTS

Depreciation reflects the consumption of HRA fixed assets over their useful life and should provide a clear picture on the need for expenditure to maintain the value of the stock. Component accounting is used to calculate depreciation. Where possible the actual cost of replacing the major components, such as kitchens and bathrooms, is used and the cost spread across the useful life of that component. This provides an accurate picture of the annual cost of replacement for all the major components within the council house dwellings.

Other building are depreciated over useful economic life. Land is not depreciated due to having an infinite life. Impairment charged to the Income and Expenditure Account represents general price falls which are in excess of previous revaluation gains. The charge is reversed in the SMHRAB so that these costs are not charged to tenants.

For 2018/19 there is a net revaluation upwards credited to the accounts of £3,601k and a depreciation charge of £4,968k. The government issue a % value of the market value to be used for inclusion within the accounts. In 2018-19 the percentage used is 35% which is the same as was used previously

7. CAPITAL RECEIPTS

Capital receipts in respect of the HRA received during the year are as follows:

2017/18		2018/19		
Total		Council Dwellings	Assets for Sale	Total
£'000	Type of Receipt	£'000	£'000	£'000
3,160	Sale Proceeds	1,772	148	1,920
(26)	Less administration costs	-	-	-
3,134	Total Net Receipts	1,772	148	1,920

In 2012/13 revised arrangements were put in place by National Government under section 11(6) of the Local Government Act 2003 for local councils to retain surplus Right to Buy receipts (ie receipts arising from increased sales resulting from greater discounts) for investment in new affordable homes. The ratio of retention was set at 1:2.398 after the HM Treasury had taken into account the number of sales estimated that it estimated it would receive had the discount not been increased. This means that, for every £1 retained for any capital purpose since 2012/13 (ie after transaction costs and debt adjustments) just under £2.40 was surrendered to HM Treasury. This retained funding must be committed to replacement housing stock within three years of the quarter end after the disposal of the asset.

8. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

Details of capital expenditure within the HRA and the financing of that expenditure are set out below.

2017/18		2018/19				
Total		Council Dwellings	Other Land & Buildings	Assets Under Construction	Plant & Equipment	Total
£'000		£'000	£'000	£'000	£'000	£'000
9,183	Total Capital Expenditure	5,913	78	4,421	313	10,725
	Financing					
696	RTB Receipts	-	-	-	1,397	1,397
688	Capital Receipts	-	-	-	-	-
3,840	Major Repairs Reserve	2,139	78	3,024	313	5,553
3,958	Revenue Contributions	3,774	-	-	-	3,774
9,183	Total Financing	5,913	78	3,024	1,710	10,725

9. MAJOR REPAIRS RESERVE

Authorities are required under regulation 6 (4a) of the Accounts and Audit Regulations 1996 to set up a Major Repairs Reserve, and to transfer into it a sum not less than the Major Repairs Allowance received as part of the HRA subsidy. These funds are then used to meet capital expenditure on HRA assets.

2017/18 Total £'000	2018/19 Total £'000
(10,641) Balance as at 1st April	(11,751)
<u>Income</u>	
(4,950) Transfer of equivalent amount to Depreciation charge from Capital Financing Reserve	(4,968)
(4,950)	(4,968)
<u>Expenditure</u>	
3,840 Capital expenditure funded from Major Repairs Reserve	5,553
3,840	5,553
(11,751) Balance as at 31st March	(11,165)

10. MOVEMENT OF HOUSING REVENUE ACCOUNT FIXED ASSETS

2017/18 £'000's	Council Dwellings £'000's	Other Land & Buildings £'000's	Assets under Construction £'000's	Surplus Assets £'000's	Plant & Equipment £'000's	Total £'000's
269,701 Gross Book Value 31 March 2019	267,712	4,340	4,091	910	1,357	278,410
(457) Accumulated depreciation as at 31 March 2019	(39)	(287)	0	0	(302)	(628)
269,244 Net Book Value as at 1st April 2018	267,673	4,053	4,091	910	1,055	277,782
269,701 Gross Book Value 31 March 2019	267,712	4,340	4,091	910	1,357	278,410
1,974 Revaluations and adjustments	1,468	186	0	0	0	1,654
4 Revaluations up/down to surplus/defecit	(1,245)	0	0	0	0	(1,245)
9,183 Additions	5,857	2	3,906	0	313	10,078
(2,472) Disposals	0	(1,772)	0	0	0	(1,772)
278,390 Gross Book Value as at 31 March 2019	273,792	2,756	7,997	910	1,670	287,125
(457) Accumulated depreciation as at March 2018	(39)	(287)	0	0	(302)	(628)
(4,950) Depreciation for the Year	(4,768)	(50)	0	0	(150)	(4,968)
617 Depreciation written out to the revaluation reserve	627	(7)	0	0	0	620
4,182 Depreciation recognised in surplus/defecit	4,044	0	0	0	0	4,044
(608) Accumulated depreciation as at 31 March 2019	(136)	(343)	0	0	(452)	(931)
277,782 Net Book Value as at 31st March 2019	273,657	2,413	7,997	910	1,217	286,194

The date of the valuation for HRA assets is 31 March of every year. This is in line with the Council's financial year end and ensures asset values reported in financial statements reflect their fair value. The vacant possession of dwellings within the HRA as at 31 March 2019 was £776,958k (31 March 2018 £764,777k) The Government guidance on stock re-valuation requires local authority housing stock to be valued based on the basis of existing use value - social housing (EUV-SH).

This requires us to assume that the property is a letting property and will continue to be made available for letting if vacated rather than sold with vacant possession. To allow for this Government guidance suggests that the open market value of the properties is discounted to 35% of the value in the South West of England (31% 2015-16). This discount has been applied to the housing assets but, in accordance with the guidance, no discount is applied to hostels or non housing assets. The difference between the vacant possession value and the value per the balance sheet illustrates the economic cost to government of providing council housing at less than open market rents.

11. CONTRIBUTIONS TOWARDS EXPENDITURE

In specific circumstances contributions from the Authority's General Fund to the Housing Revenue Account are permissible, including when amenities are shared by the wider community. This includes grounds maintenance on Housing Revenue Account land from which the wider community will derive benefit. In line with good practice this contribution is based on the total number of right to buy sales.

THE COLLECTION FUND

	2018/19	2017/18
	£'000	£'000
<u>INCOME</u>		
Income from Council Tax	(96,797)	(90,467)
Income Collectable from Business Ratepayers (NNDR)	(64,261)	(63,719)
Contribution from Precepting Authorities - towards deficit balance (NNDR)	-	-
Total Income	(161,058)	(154,186)
<u>EXPENDITURE</u>		
Council Tax - Precepts and Demands		
- Borough of Poole	80,035	74,435
- Dorset Police and Crime Commissioner	11,812	10,968
- Dorset & Wiltshire Fire & Rescue	4,157	3,979
Business Rate:		
- Share to Major Preceptors		
- Borough of Poole	27,332	27,960
- Dorset & Wiltshire Fire & Rescue	558	571
- Share to Central Government	27,890	28,530
- Transitional Protection Payments	570	1,306
- Costs of Collection	232	230
Impairment of Debts and Appeals		
Council Tax:		
- Write Offs	-	-
- Allowance for impairment	439	265
Business Rate:		
- Write Offs		
- Allowance for impairment	288	313
- Appeals charged against provision	7,582	1,135
Contribution of surplus to Preceptors		
- Council Tax	1,256	1,136
- Business Rates	-	2,366
Total Expenditure	162,151	153,194
Movement in Fund Balance (Surplus)/Deficit	1,093	(992)
Balance Brought Forward 1 April:		
Council Tax:		
- Poole's Proportion	(1,218)	(1,477)
- Preceptors' Proportion	(245)	(302)
Business Rate:		
- Poole's Proportion	(1,818)	(1,201)
- Central Government Share	(1,855)	(1,177)
- Preceptors' Share	(37)	(24)
Balance Carried Forward 31 March	(4,080)	(5,173)
Council Tax:		
- Poole's Proportion	(465)	(1,218)
- Preceptors' Proportion	(95)	(245)
Business Rate:		
- Poole's Proportion	(1,725)	(1,818)
- Central Government Share	(1,760)	(1,855)
- Preceptors' Share	(35)	(37)
	(4,080)	(5,173)

NOTES TO THE COLLECTION FUND

1. Income from Council Tax

The council tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of tax properties are placed in one of eight valuation bands by Her Majesty's Revenue and Customs. After accounting for discounts, exemptions etc, these are then converted to a Band D equivalent which is known as the Tax Base. The Tax Base for 2018/19 on which the tax was set was:

Valuation Band	No. Of Properties	Proportion to Band D	No. Of Band D Equivalent Properties
A* - disabled relief for Band A property	4	5/9	2
A	2,697	6/9	1,798
B	8,580	7/9	6,673
C	18,753	8/9	16,669
D	10,950	9/9	10,950
E	7,372	11/9	9,070
F	3,707	13/9	5,355
G	3,070	15/9	5,117
H	955	18/9	1,909
MOD	-		157
Total	56,088		57,700

The above Band D Equivalent figure is adjusted by the expected collection rate of 99.1% to give the Tax Base for the year.

2. Income from Business Rate Payers

	2018/19 £	2017/18 £
Total Rateable Value at 31 March (£)	159,180,652	159,848,252
The Multiplier (rate in the £) as set by Government (Pence)	49.3	47.90

3. Distribution of Estimated Balance on the Collection Fund

In accordance with regulations the balance on the Collection Fund has to be estimated on 15 January each year. This estimate is distributed the following year between the authorities.

The Estimated (Surplus) / Deficit on the Collection Fund was distributed as below:

	2018/19 £'000	2017/18 £'000
Borough of Poole	(1,045)	(942)
Dorset Police and Crime Commissioner	(154)	(143)
Dorset & Wiltshire Fire and Rescue	(56)	(52)
Total	(1,256)	(1,137)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure 2017/18 £'000	Gross Income 2017/18 £'000	Net Expenditure 2017/18 £'000		Gross Expenditure 2018/19 £'000	Gross Income 2018/19 £'000	Net Expenditure 2018/19 £'000
			Service:			
70,583	(45,877)	24,706	People - Children	76,487	(44,533)	31,954
60,967	(18,887)	42,080	People - Adult Social Care	62,263	(23,271)	38,992
14,446	(12,608)	1,838	People - Other	13,606	(12,286)	1,320
58,591	(22,868)	35,723	Places	59,639	(24,416)	35,223
60,699	(54,708)	5,991	Business Improvement	54,380	(48,702)	5,678
460	-	460	Fisheries and Courts	397	-	397
16,537	(3)	16,534	Non Distributed Costs (NDC)	(763)	(85)	(848)
11,311	(22,000)	(10,689)	Local Authority Housing (Housing Revenue Account)	20,696	(30,457)	(9,761)
-	-	-	Exceptional - Revaluation up of Housing Revenue Account assets	-	-	-
293,594	(176,951)	116,644	COST OF SERVICES	286,705	(183,750)	102,955
36,255	(97)	36,158	Other Operating Expenditure	6,751	(1,771)	4,980
10,853	(2,789)	8,063	Financing and Investment Income and Expenditure	10,726	(3,124)	7,602
-	(113,843)	(113,843)	Taxation and Non-Specific Grant Income	-	(124,706)	(124,706)
-	(48)	(48)	Share of Joint Venture Profit	-	(8)	(8)
340,701	(293,729)	46,974	(Surplus) / Deficit on Revaluation of Non-Current Assets	304,182	(313,359)	(9,177)
			(17,761) (Surplus) / Deficit on Revaluation of Non-current Assets			(12,896)
			(43,470) Actuarial (gains) / losses on Pensions Assets / Liabilities			(11,750)
			(61,231) Other Comprehensive Income and Expenditure			(24,646)
			(14,257) Total Comprehensive Income and Expenditure			(33,823)

GROUP MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2018	(7,636)	(26,292)	(33,928)	(580)	(11,751)	(5,998)	(27)	(52,284)	(249,897)	(302,181)
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	(2,576)	-	(2,576)	(7,375)	-	-	-	(9,951)	-	(9,951)
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	-	(24,376)	(24,376)
Total Comprehensive Income and Expenditure	(2,576)	-	(2,576)	(7,375)	-	-	-	(9,951)	(24,376)	(34,327)
Adjustments Between Accounting Basis and Funding Basis under Regulations	(5,693)	-	(5,693)	7,375	586	297	(10,824)	(8,259)	8,260	1
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(8,269)	-	(8,269)	-	586	297	(10,824)	(18,210)	(16,116)	(34,326)
Transfers (to) / from Earmarked Reserves	8,149	(8,149)	-							
(Increase) / Decrease in Year	(120)	(8,149)	(8,269)	-	586	297	(10,824)	(18,210)	(16,116)	(34,326)
Balance at 31 March 2019	(7,756)	(34,441)	(42,197)	(580)	(11,165)	(5,701)	(10,851)	(70,494)	(266,013)	(336,507)

GROUP MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(8,413)	(27,368)	(35,781)	(580)	(10,642)	(4,934)	(47)	(51,984)	(236,200)	(288,184)	5,734	(282,450)
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	54,486	-	54,486	(8,370)	-	-	-	46,116	-	46,116	911	47,027
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	-	(60,113)	(60,113)	(1,131)	(61,244)
Total Comprehensive Income and Expenditure	54,486	-	54,486	(8,370)	-	-	-	46,116	(60,113)	(13,997)	(220)	(14,217)
Adjustments Between Accounting Basis and Funding Basis under Regulations	(52,634)	-	(52,634)	8,370	(1,109)	(1,064)	20	(46,416)	46,416	(0)	-	(0)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	1,853	-	1,853	-	(1,109)	(1,064)	20	(300)	(13,697)	(13,997)	(220)	(14,218)
Transfers (to) / from Earmarked Reserves	(1,076)	1,076	-									
(Increase) / Decrease in Year	777	1,076	1,853	-	(1,109)	(1,064)	20	(300)	(13,697)	(13,997)	(220)	(14,218)
Balance at 31 March 2018	(7,636)	(26,292)	(33,928)	(580)	(11,751)	(5,998)	(27)	(52,284)	(249,897)	(302,181)	5,514	(296,667)

GROUP BALANCE SHEET

	Note	2018/19 £'000	Reinstated 2017/18 £'000
Property, Plant and Equipment		662,258	630,712
Heritage Assets		1,508	999
Investment Property		31,443	36,885
Intangible Assets		1,357	1,875
Assets held for Sale		-	-
Long-Term Investments		-	7,500
Long Term Debtors		1,939	2,179
Joint Venture Investments		72	64
Total Long-Term Assets		698,577	680,214
Short-Term Investments		40,131	37,125
Current Assets Held for Sale		-	-
Inventories		342	159
Short-Term Debtors		28,354	18,583
Cash and Cash Equivalents		3,150	4,564
Total Current Assets		71,977	60,431
Cash and Cash Equivalents - Bank Overdraft		(4,555)	(5,095)
Short-Term Borrowing		(8,778)	(1,218)
Short-Term Creditors		(40,509)	(42,843)
Grants Receipts in Advance - Revenue		-	(11,439)
Grants Receipts in Advance - Capital		(14,217)	(9,062)
Total Current Liabilities		(68,059)	(69,657)
Provisions		(8,268)	(5,824)
Long-Term Borrowing		(81,372)	(90,032)
Pensions Liability		(282,327)	(278,427)
Total Long-Term Liabilities		(371,967)	(374,283)
Net Assets		330,528	296,705
Usable Reserves		(72,483)	(54,267)
Unusable Reserves	5	(258,045)	(242,438)
Total Reserves		(330,528)	(296,705)

GROUP CASH FLOW STATEMENT

	2018/19	2017/18
	£'000	£'000
Net Deficit on the provision of services	9,169	(47,021)
Adjust net Deficit on the Provision of Services for Non Cash Movements	22,042	80,893
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(24,693)	(10,427)
Net Cash Flows from Operating Activities	6,518	23,445
Investing Activities	(8,289)	(32,428)
Financing Activities	898	1,869
Net Increase in Cash and Cash Equivalents	(873)	(7,114)
Cash and Cash Equivalents at Beginning of the Reporting Period	(531)	6,583
Cash and Cash Equivalents at End of the Reporting Period	(1,404)	(531)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General

Following a review of the Council and its entities, it was agreed that the Council should produce Group Accounts for the first time for the period 2017/18 due to the materiality of the entities and subsidiary and the relationship with the Council.

In accordance with the Code of Practice where Group Accounts figures are not materially different from those of the Council only accounts, no additional disclosure is required in these notes.

Notes to the Group Financial Statements have therefore only been produced where the figures differ materially from those in the Financial Statements of the Council.

The Group Financial Statements have been restated for 2017/18, due to the availability of the final audited 2017/18 accounts for Tricuro.

2. Accounting Policies

Generally, the accounting policies for the Group Accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the Group Accounts:

a. Basis of Identification of the Group Boundary

Group Accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures and excluding intra-group transactions where necessary to eliminate any effect of grossing up on consolidation.

Subsidiary Boundary

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities. Control is usually presumed where the Council owns more than half the voting power of an entity, either directly or through other subsidiaries. However, this is not a defining criterion, the Council can have more than half the voting power but exceptionally not be in control and powers other than voting rights may grant control where the Council has less than half the voting power.

Joint Venture Boundary

Entities established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing control.

Materiality

In accordance with the above policy, our group relationships have been determined as follows:

Poole Housing Partnership	Subsidiary	Consolidated
Tricuro	Joint Venture	5% Consolidated

b. Basis of the Preparation of the Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the 2018/19 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements;
- eliminating intra-group balances and transactions in full.

The Council's proportions of joint controlled entities have been consolidated using the Equity Method.

3. Subsidiaries

Poole Housing Partnership

Poole Housing partnership (PHP) is a company limited by guarantee without share capital and is managed by a Board, with day-to-day management undertaken by the executive officers.

PHP is a subsidiary of the Borough of Poole. The Company's principal activity is to manage and maintain the housing stock on behalf of the council. Turnover and operating profit arise solely from the housing management activities with the Borough of Poole.

The back funding element of the pensions fund deficit relating to staff that transferred to PHP remains the direct responsibility of the Housing Revenue Account and does not form part of the management fee paid to the Company. It is included within the Boroughs IAS19 totals.

4. Joint Venture

Tricuro

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

Tricuro has two companies (a care company Tricuro Limited and a 'support function' company Tricuro Support Limited) managed by the same Board.

Tricuro Support Limited holds the contractual relationships with the three commissioning Councils, as well as the property leases and support services agreements with the two providing Councils.

Tricuro Limited employs all the staff and is registered with CQC as the provider, and provides all the care requirements to service users.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2018/19 was £40.3m (the year to 31 March 2018 saw the group turnover £41.4m). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro, the value of this contract was £1.002m for the period to 31 March 2019. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £862k for the period to 31 March 2019. All councils Dorset are involved in Local Government Reorganisation. This change took effect from 1 April 2019 and resulted in Tricuro having two shareholders instead of three. All contracts and agreements have been novated to the new two unitary authorities under the structural change order which are Dorset Council and Bournemouth, Christchurch and Poole Council.

Tricuro has the following main areas of service delivery. All shareholders treat Tricuro as a joint venture in their respective financial statements in 2018/19.

- Residential Care Homes - 6 homes providing residential care for older people, 1 home providing residential and nursing care for older people and 2 homes providing residential care for people with a learning disability.
- Reablement, providing short term support for up to six weeks, enabling people to regain and maximise daily living skills and independence in their own homes and one home providing intermediate care services.
- Day opportunities and other services provide a range of services with identified support needs (older people, dementia, learning disability, mental health, physical disability).

5. Unusable Reserves

	31 March 2019	Restated 31 March 2018
	£'000	£'000
Revaluation Reserve	(90,142)	(79,866)
Capital Adjustment Account	(448,688)	(438,802)
Joint Venture Net Assets	(72)	(64)
Deferred Capital Receipts Reserve	(219)	(244)
Financial Instrument Adjustment Account	(4)	-
Pensions Reserve	277,062	278,427
Accumulated Absences Account	944	1,147
Collection Fund Adjustment Account	(2,191)	(3,037)
Total Unusable Reserves	(263,310)	(242,438)



ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19

1 FORWARD

- 1.1 Following Local Government Reorganisation (LGR), the Borough of Poole Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for the Borough of Poole during this period and does not take into account BCP Council arrangements.
- 1.2 Any significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless these have already been addressed or superseded), together with any issues identified by the other legacy councils of Bournemouth and Christchurch.

2 SCOPE OF RESPONSIBILITY

- 2.1 Borough of Poole was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and accounted for, and used economically, efficiently and effectively. The Borough also had a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging these overall responsibilities, Borough of Poole was responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.3 Borough of Poole adopted a Local Code of Governance, which summarises the Council's governance framework consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 2.4 This statement explains how the Borough of Poole complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Borough was directed and controlled, and by which it accounted to, engaged with and led the community. It included arrangements to monitor the

achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.

- 3.2 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provided reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Borough's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 3.3 The governance framework was in place at the Borough of Poole for the year ended 31 March 2019.

4 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Borough of Poole had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review considered both in-year arrangements (3.1) and year end review processes (3.2) that took place to review the effectiveness of the Borough's governance framework.

4.1 IN-YEAR OPERATIONAL EFFECTIVENESS

The following aspects describe the **in-year, continuous elements** of the governance framework that helped to ensure the on-going robustness of governance arrangements of the Council.

1. **Decisions** taken, by both Councillors and Officers, in line with the Constitution and schemes of delegation.
2. The **Cabinet** and its **Portfolio Holders** were experienced Councillors who were responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.
3. **Overview and Scrutiny Committee** arrangements on the Council's themes of People, Place and Business Improvement were in operation.
4. The **Standards Committee** met during the year to consider and review issues relating to the conduct of Councillors including referrals from the Standards Board.
5. The **Audit Committee** met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's governance arrangements, risk management framework and internal control environment. In accordance with the Accounts and Audit Regulations 2015, the Audit Committee also reviewed the effectiveness of the Borough's system of internal audit. The Audit Committee had delegated approval to approve the Authority's Statement of Accounts.

6. The **Audit Committee** considered a variety of governance related reports during the year, including a breaches, waivers and exemptions report, whistleblowing, and counter fraud and corruption arrangements. Additionally, the Audit Committee reviewed and approves the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter. The Chief Auditor attended all Audit Committee meetings.
7. As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), Head of Legal and Democratic Services (Monitoring Officer) and Head of Financial Services (Chief Financial Officer) met approximately every two months as the **Statutory Officers Group**.
- **The Chief Executive** – was designated Head of Paid Service and functions included:
 - Overall strategic and corporate management and operational responsibility (including overall management responsibility for all officers);
 - Provision of professional advice to all parties in the decision making process;
 - Together with the Monitoring Officer responsibility for a system of record keeping for all the Council's decisions; and
 - Representing the Council on partnership and external bodies (as required by statute or the Council).
 - **The Monitoring Officer** – functions included:
 - Maintaining the Constitution;
 - Ensuring lawfulness and fairness of decision-making;
 - Supporting the Standards Committee;
 - Dealing with Complaints;
 - Proper officer for access to information;
 - Advising whether Cabinet decisions are within the Budget and Policy Framework;
 - Providing advice; and
 - Contributing to corporate management.
 - **The Head of Financial Services** – functions included:
 - Ensuring lawfulness and financial prudence of decision making;
 - Administration of financial affairs;
 - Contributing to corporate management;
 - Providing advice; and
 - Giving financial information.
 - The Council's Constitution contained a statement on '**The Role and Function of the Chief Finance Officer**'. This explained the role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements.
 - The Council's financial management arrangements conformed to the governance requirements of the CIPFA '**Statement of the Role of the Chief Financial Officer in Local Government**' (2016). The CFO and Monitoring Officer were formal co-opted members of the Council's Management Team.
8. **Management Team** met weekly and were responsible for:
- Managerial leadership vision and strategic direction of the Council;
 - Formally responding to Cabinet policy direction to fulfil the Council's corporate strategy;
 - Council wide policy and initiatives for Cabinet consideration;
 - Defining corporate culture and core values;
 - Ensuring the Council meets its statutory obligations;

- Exercising sound corporate governance and effective corporate resource management; and
- Ensuring the performance of the Council was managed effectively.

Management Team, together with the Head of ICT & Customer Support, Head of HR and the Programme Manager, met monthly as the **Corporate Change Board**. They were responsible for the coordination of the Council's major change programmes.

9. The officer **Property Steering Group** supported the organisation with delivery of the Corporate Property Strategy (including estate management, property maintenance and accommodation).
10. The Council's **Internal Audit** service:
 - Operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards (PSIAS).
 - Had a terms of reference and strategy for delivering the Internal Audit Plan agreed annually by Audit Committee.
 - Worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The annual Internal Audit Plan and progress was reported throughout the year to the Audit Committee. The plan was developed to enable an opinion to be given on the Assurance Framework approved by the Audit Committee and took into account the high risk issues, corporately and at service unit level, fraud risks, and key financial systems controls.
 - Undertook fraud investigation and proactive fraud detection work, as detailed in the Counter Theft, Fraud and Corruption Policy, which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Audit Committee.
11. Arrangements were in place in Service Units to record, monitor and mitigate risk. The **Corporate Risk Register** was updated quarterly following agreement at Management Team, and was reported to Audit Committee.
12. Governance arrangements for key **partnerships** were in place, including a governance checklist for significant new partnerships.
13. The **Complaints process** and **Data Protection Breach reporting** were designed to identify and address any weaknesses which may arise.
14. **External reviews and inspections** were carried out throughout the year and the results are reported appropriately and action taken where necessary (see 4.2e). These include Grant Thornton's **Audit Findings Report** which was considered by Management Team and the Audit Committee on behalf of the Council.
15. The Council continued to proactively **develop** and **update** governance arrangements, for example, developing robust Local Government Reorganisation programme governance arrangements.
16. Service Units used a range of measures to **monitor and report performance** to Strategic Directors and Portfolio Holders on delivering their business plans.

17. **Financial management** reports are received regularly by Cabinet.

4.2 YEAR END REVIEW OF EFFECTIVENESS

The following describes the year-end review of the governance arrangements and the control environment which was largely structured around the areas set out in the Councils Assurance Framework shown in the table below:

		ASSURANCE SOURCE		RESPONSIBLE SERVICE UNIT/BODY	
AUDIT COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management	Financial/Growth & Infrastructure	
			Business Continuity	Financial	
			Business Planning/Performance Management/Partnerships	Corporate	
			Counter Fraud	Financial	
			Financial Management	Financial	
			Health & Safety	Environment & Consumer Protection	
			Human Resources	Human Resources	
			ICT	ICT & Customer Support	
			Information Governance	Legal & Democratic	
			Internal Audit	Financial	
			Management Assurance Statements	Service Unit Heads	
			Procurement	Financial	
			Project & Programme Management	ICT & Customer Support	
			Risk Management	Financial	
	EXTERNAL ASSURANCES	External Audit	Grant Thornton		
		External Reviews & Inspections	e.g. OFSTED		
		Regularity Bodies	e.g. Information Commissioner		
		Quality/Accreditation Schemes	e.g. Positive About Disabled People		
		External Benchmarking	e.g. CFO Insights		
	OTHER	Corporate Governance Disclosure Statements	BoP Statutory Officers		

- a. **Internal Audit.** A review of Internal Audit report findings and recommendations, particularly in relation to those carried out for the assurance areas listed above. *Note: As an Internal Audit review was conducted on a risk based sampling process and did not involve a review of every Council activity, transaction or project, the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.*
- b. **The Chief Auditor's Annual Report 2018/19** was reported to the Audit Committee. This stated that it was the opinion of the Chief Internal Auditor that arrangements are in place to ensure an adequate and effective internal control environment exists for those areas set out in the Council's Assurance Framework. The systems and internal control arrangements continue to be effective and agreed policies and regulations are complied with. Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls. Adequate arrangements are in place to deter and detect fraud.
- c. **Annual Management Assurance Statements (MAS)** are produced and signed off by Service Unit Heads in respect of governance and internal control issues.

d. The **statutory officers** (Chief Executive, Head of Legal and Democratic Services and Head of Financial Services) and **Strategic Directors** declare any areas of significant governance weakness they are aware of. **Statutory Officer Group and Management Team** considered the significant governance issues to be included on the Annual Governance Statement.

e. There were no significant governance issues arising from the following **External Audit** reports received during the year:

Grant Thornton:

- Audit Findings Report
- Annual Audit Letter
- Certification Report

f. Other **external inspections**, including the Independent Review of the Housing Management Function.

g. A review of fraud and special investigations carried out by Internal Audit during the year and the annual report on **Counter Fraud work** (received annually by Audit Committee in September).

h. The Council reached a good level of performance against the '**CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**'. This means the organisation put in place effective arrangements across many aspects of the counter-fraud code and took positive action to manage its risks.

i. Review of **Breaches, Waivers and Exemptions** of the Financial Regulations (received annually by Audit Committee in July).

j. Review of the **Corporate Risk Register** (received quarterly by Audit Committee).

k. Follow up of **2017/18 AGS Action Plan**.

5. EVALUATION, CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES

5.1 Following review of effectiveness of governance arrangements, it is considered that, for the year ended 31 March 2019, the Borough of Poole had effective, fit-for-purpose governance arrangements in place which:

- supported delivery of its purpose, priorities, values and service objectives;
- were in accordance with the Borough's of Poole Local Code of Governance; and
- supported the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

5.2 While overall governance arrangements were considered sound, **one** significant governance issue, Information Governance, brought forward from 2017/18, was identified for inclusion:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan.

- 5.3 Information Governance will therefore be incorporated into the BCP AGS Action Plan, along with any relevant issues from legacy Bournemouth and legacy Christchurch councils.
- 5.4 No new significant governance issues for inclusion on the Annual Governance Statement were identified during the review.
- 5.5 The other issue raised in 2017/18, Safeguarding, has been removed as a significant governance issue for this year because the Council believes the governance arrangements for safeguarding are generally sound, kept under regular review and scrutiny, and improvements made where necessary.

This statement explains how the Borough of Poole complied with the requirements of the code and meet the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework and BCP has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the annual review as BCP Council in 2019/20.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Independent auditor's report to the members of Bournemouth Christchurch and Poole Council in respect of Borough of Poole

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Borough of Poole (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's 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 2018/19; 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 group and 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.

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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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 7 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 7, the Authority ceased to exist on 31 March 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority's services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group 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 group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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, the Narrative Report and the Annual Governance Statement 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Borough of Poole is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 Borough of Poole in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Bournemouth, Christchurch and Poole Council, as a body, in respect of Borough of Poole 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 members of Bournemouth, Christchurch and Poole Council, those matters we are required to state to them in an auditor's report in respect of Borough of Poole and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bournemouth, Christchurch and Poole Council and the members of Bournemouth, Christchurch and Poole Council as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

GLOSSARY

Accruals

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

Borrow to Invest Schemes

The scheme allows Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

Capital Expenditure

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

Capital Receipt

The proceeds from the sale of a fixed asset. A proportion of capital receipts relating to the sale of council dwellings is payable to the National Pool the remainder of capital receipts are available to finance capital expenditure.

Charging Authority

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and business rates (NDR).

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Council Tax

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

Creditors

Amounts owed by the Council 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 which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

Debtors

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

Deferred Capital Receipts

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Fixed Assets

Tangible assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

General Fund

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

Government Grants

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

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by Councils and subsidised by Central Government.

Housing Revenue Account

A separate account from the General Fund recording all the transactions relating to the provision of housing accommodation by the Council.

Infrastructure Assets

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

Minimum Revenue Provision (MRP)

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

Non-Domestic Rates (NDR)

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council and then passed to Central Government who reallocate the proceeds to all Councils.

Non-Operational Assets

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The amount which a Precepting Authority requires from a Charging Council to meet its expenditure requirements, requiring the Charging Council to collect income from council tax payers on their behalf.

Precepting Authority

Local Authorities, including fire and rescue and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Councils.

Projected Unit Method

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable

service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

Provisions

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

Public Works Loan Board (PWLB)

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

Related Party Transaction

This 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 providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Budget Comparison

This statement reports the actual expenditure and income of the services for which the Council is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Council's functions.

Revenue Expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Support Grant (RSG)

A general Central Government Grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

Stocks

Items of raw materials and stores purchased by the Council to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

Temporary Borrowing/Investment

Money borrowed or invested for an initial period of less than one year.

Work in Progress

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.