



# **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.

	<b>Actual Outturn</b>	<b>Working Budget</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Service Budgets</u></b>			
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
<b>Service Budget Total</b>	<b>157,299</b>	<b>160,113</b>	<b>(2,814)</b>
Preparation for Local Government Reorganisation	1,726	-	1,726
Corporate Items	(30,735)	(32,691)	1,955
<b>Net Position</b>	<b>128,290</b>	<b>127,422</b>	<b>868</b>
Corporate Funding	(128,290)	(127,422)	(868)
<b>Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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: 30<sup>th</sup> 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 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2018/19 Gross Income £'000	Net Expenditure £'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	
<b>452,544</b>	<b>(321,788)</b>	<b>130,756</b>	<b>Cost of Services</b>	<b>460,345</b>	<b>(318,240)</b>	<b>142,104</b>	
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)	
<b>495,530</b>	<b>(478,233)</b>	<b>17,297</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>494,673</b>	<b>(471,153)</b>	<b>23,521</b>	
		(34,726)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(34,313)	
		(59,673)	Actuarial gains / losses on Pensions Assets / Liabilities			(13,171)	
		<b>(94,399)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(47,484)</b>	
		<b>(77,102)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(23,963)</b>	

## 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
<b>Balance at 1 April 2018</b>	<b>(8,357)</b>	<b>(31,168)</b>	<b>(1,227)</b>	<b>(1,932)</b>	<b>(14,476)</b>	<b>(22,056)</b>	<b>(79,216)</b>	<b>(225,371)</b>	<b>(304,586)</b>
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>26,606</b>	<b>-</b>	<b>(3,085)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,521</b>	<b>(47,483)</b>	<b>(23,962)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(31,010)	-	2,098	(29)	820	(1,220)	(29,341)	29,341	<b>(0)</b>
<b>Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves</b>	<b>(4,404)</b>	<b>-</b>	<b>(988)</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(5,820)</b>	<b>(18,142)</b>	<b>(23,962)</b>
Transfers (to) / from Earmarked Reserves (See Note 7)	4,635	(5,622)	988	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>231</b>	<b>(5,622)</b>	<b>(0)</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(5,820)</b>	<b>(18,142)</b>	<b>(23,962)</b>
<b>Balance at 31 March 2019</b>	<b>(8,127)</b>	<b>(36,791)</b>	<b>(1,227)</b>	<b>(1,961)</b>	<b>(13,656)</b>	<b>(23,276)</b>	<b>(85,035)</b>	<b>(243,513)</b>	<b>(328,548)</b>

## 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
<b>Balance at 1 April 2017</b>	<b>(8,245)</b>	<b>(30,825)</b>	<b>(1,227)</b>	<b>(5,412)</b>	<b>(14,908)</b>	<b>(21,605)</b>	<b>(82,222)</b>	<b>(145,263)</b>	<b>(227,485)</b>
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>24,578</b>	<b>-</b>	<b>(7,281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,297</b>	<b>(94,398)</b>	<b>(77,101)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(21,986)	-	4,234	3,480	432	(451)	(14,290)	14,290	<b>(0)</b>
<b>Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves</b>	<b>2,592</b>	<b>-</b>	<b>(3,047)</b>	<b>3,480</b>	<b>432</b>	<b>(451)</b>	<b>3,006</b>	<b>(80,108)</b>	<b>(77,101)</b>
Transfers (to) / from Earmarked Reserves (See Note 7)	(2,704)	(343)	3,047	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(112)</b>	<b>(343)</b>	<b>(0)</b>	<b>3,480</b>	<b>432</b>	<b>(451)</b>	<b>3,006</b>	<b>(80,108)</b>	<b>(77,101)</b>
<b>Balance at 31 March 2018</b>	<b>(8,357)</b>	<b>(31,168)</b>	<b>(1,227)</b>	<b>(1,932)</b>	<b>(14,476)</b>	<b>(22,056)</b>	<b>(79,216)</b>	<b>(225,371)</b>	<b>(304,586)</b>

## 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
<b>Total Long-Term Assets</b>		<b>863,467</b>	<b>830,242</b>
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
<b>Total Current Assets</b>		<b>53,500</b>	<b>60,518</b>
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)
<b>Total Current Liabilities</b>		<b>(120,082)</b>	<b>(73,935)</b>
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)
<b>Total Long-Term Liabilities</b>		<b>(468,336)</b>	<b>(512,238)</b>
<b>Net Assets</b>		<b>328,549</b>	<b>304,587</b>
<b>Usable Reserves</b>	<b>20</b>		
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)
<b>Unusable Reserves</b>	<b>21</b>		
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
<b>Total Reserves</b>		<b>(328,549)</b>	<b>(304,587)</b>

## 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	<b>22</b>	<u>23,379</u>	<u>(360)</u>
Investing Activities	<b>23</b>	(26,214)	(51,892)
Financing Activities	<b>24</b>	3,386	49,200
Net Increase (decrease) in cash and cash equivalents		<u><b>551</b></u>	<u><b>(3,052)</b></u>
<b>Cash and Cash Equivalents at beginning of the reporting period</b>		<u><b>(2,169)</b></u>	<u><b>882</b></u>
<b>Cash and Cash Equivalents at end of the reporting period</b>		<u><b>(1,618)</b></u>	<u><b>(2,169)</b></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			
<b>127,107</b>	<b>3,650</b>	<b>130,756</b>	<b>119,009</b>	<b>23,096</b>	<b>142,104</b>
		<b>Net Cost of Services</b>			
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			
<b>(454)</b>	<b>17,751</b>	<b>17,297</b>	<b>(5,392)</b>	<b>28,913</b>	<b>23,521</b>
		<b>(Surplus) or Deficit</b>			
<b>(40,297)</b>			<b>(40,751)</b>		
		<b>Opening General Fund &amp; HRA Balance</b>			
(454)			(5,392)		
		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			
<b>(40,751)</b>			<b>(46,143)</b>		
		<b>Closing General Fund &amp; HRA Balance at 31 March</b>			

## 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) £'000	Net change for the Pensions Adjustments (ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'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
<b>Net Cost of Services</b>	<b>27,631</b>	<b>(4,056)</b>	<b>(479)</b>	<b>23,096</b>
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	-	-	-	-
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>13,560</b>	<b>16,396</b>	<b>(1,043)</b>	<b>28,913</b>

### 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i) £'000	Net change for the Pensions Adjustments (ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'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)
<b>Net Cost of Services</b>	<b>16,579</b>	<b>(12,564)</b>	<b>(365)</b>	<b>3,650</b>
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)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>8,437</b>	<b>8,474</b>	<b>840</b>	<b>17,751</b>

### **(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
<b>Expenditure</b>		
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
<b>Total expenditure</b>	<b>494,673</b>	<b>495,530</b>
<b>Income</b>		
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)
<b>Total income</b>	<b>(471,152)</b>	<b>(478,233)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>23,521</b>	<b>17,297</b>

## 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 31<sup>st</sup> 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
<b><u>Adjustments Primarily Involving the Capital Adjustment Account</u></b>								
<b><u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>								
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	-
<b><u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>								
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)	-
<b>Sub Total Carried overleaf</b>	<b>(21,446)</b>	<b>(543)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,990)</b>	<b>21,990</b>	<b>-</b>

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	-
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u></b>								
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)	-
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve</u></b>								
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	-	-	-	-	-	-	-	-
<b>Sub Total Carried overleaf</b>	<b>(14,890)</b>	<b>1,842</b>	<b>-</b>	<b>820</b>	<b>(1,220)</b>	<b>(13,449)</b>	<b>13,449</b>	<b>-</b>

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	-
<b><u>Adjustments Primarily Involving the Major Repairs Reserve:</u></b>								
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)	-
<b><u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u></b>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<b><u>Adjustments Primarily involving the Financial Instruments Adjustment Account:</u></b>								
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)	-
<b><u>Adjustments Primarily involving the Pensions Reserve:</u></b>								
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)	-
<b>Sub Total Carried overleaf</b>	<b>(31,507)</b>	<b>2,099</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(29,839)</b>	<b>29,839</b>	<b>-</b>

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	-
<b><u>Adjustments Primarily involving the Collection Fund</u></b>								
<b><u>Adjustment Account:</u></b>								
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)	-
<b><u>Adjustments Primarily Involving the Unequal Pay Back Pay Account:</u></b>								
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	-	-	-	-	-	-	-	-
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>								
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)	-
<b>Total of Adjustments Between Accounting Basis and Funding Basis under Regulations</b>	<b>(31,010)</b>	<b>2,098</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(29,343)</b>	<b>29,343</b>	<b>-</b>

## 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
<b><u>Adjustments Primarily Involving the Capital Adjustment Account</u></b>								
<b><u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>								
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	-
<b><u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>								
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)	-
<b>Sub Total Carried overleaf</b>	<b>(16,360)</b>	<b>2,769</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,591)</b>	<b>13,591</b>	<b>-</b>

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
<b>Sub Total Bfwd from previous page</b>	<b>(16,360)</b>	<b>2,769</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,591)</b>	<b>13,591</b>	<b>-</b>
<b><u>Adjustments Primarily Involving the Capital Grants</u></b>								
<b><u>Unapplied Account</u></b>								
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)	-
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve</u></b>								
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	-	-	-	-	-	-	-	-
<b>Sub Total Carried overleaf</b>	<b>(12,118)</b>	<b>8,404</b>	<b>-</b>	<b>431</b>	<b>(451)</b>	<b>(3,733)</b>	<b>3,733</b>	<b>-</b>

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	-
<b><u>Adjustments Primarily Involving the Major Repairs Reserve:</u></b>								
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)	-
<b><u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u></b>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<b><u>Adjustments Primarily involving the Financial Instruments Adjustment Account:</u></b>								
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)	-
<b><u>Adjustments Primarily involving the Pensions Reserve:</u></b>								
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)	-
<b>Sub Total Carried overleaf</b>	<b>(20,704)</b>	<b>4,237</b>	<b>3,479</b>	<b>431</b>	<b>(451)</b>	<b>(13,007)</b>	<b>13,007</b>	<b>-</b>

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	-
<b><u>Adjustments Primarily involving the Collection Fund</u></b>								
<b><u>Adjustment Account:</u></b>								
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	-
<b><u>Adjustments Primarily Involving the Unequal Pay Back Pay Account:</u></b>								
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	-	-	-	-	-	-	-	-
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>								
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	-
<b>Total of Adjustments Between Accounting Basis and Funding Basis under Regulations</b>	<b>(21,986)</b>	<b>4,234</b>	<b>3,479</b>	<b>431</b>	<b>(451)</b>	<b>(14,292)</b>	<b>14,292</b>	<b>-</b>

## 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)
<b>Earmarked Reserves</b>	<b>(23,722)</b>	<b>(81)</b>	<b>14,394</b>	<b>(11,610)</b>	<b>(21,019)</b>	<b>(35)</b>	<b>8,734</b>	<b>(13,318)</b>	<b>(25,636)</b>
<b><u>Housing Revenue Account</u></b>									
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)
<b>Housing Revenue Account Total</b>	<b>(7,103)</b>	<b>-</b>	<b>1,568</b>	<b>(4,615)</b>	<b>(10,150)</b>	<b>-</b>	<b>1,413</b>	<b>(2,417)</b>	<b>(11,154)</b>
<b>Total General Fund and HRA Reserves</b>	<b>(30,825)</b>	<b>(81)</b>	<b>15,962</b>	<b>(16,226)</b>	<b>(31,169)</b>	<b>(35)</b>	<b>10,148</b>	<b>(15,735)</b>	<b>(36,790)</b>

## 8. Other Operating Expenditure

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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)
<b>Total</b>	<b>6,293</b>	<b>5,913</b>

## 9. Financing and Investment Income and Expenditure

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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)
<b>Total</b>	<b>19,909</b>	<b>26,888</b>

## 10. Taxation and Non-Specific Grant Income

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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)
<b>Total</b>	<b>(144,785)</b>	<b>(146,260)</b>

## 11. Property, Plant and Equipment

### Depreciation

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

<b>Classification</b>	<b>Depreciation Method</b>
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:

	<u>£'000</u>
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><u>772,956</u></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
<b>Cost or Valuation</b>									
<b>Brought Forward 1 April 2018</b>	<b>316,384</b>	<b>338,726</b>	<b>28,823</b>	<b>187,890</b>	<b>12,716</b>	<b>1,336</b>	<b>988</b>	<b>886,862</b>	<b>6,880</b>
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)	-
<b>Balance Carried Forward 31 March 2019</b>	<b>336,349</b>	<b>344,416</b>	<b>22,663</b>	<b>193,837</b>	<b>11,731</b>	<b>1,735</b>	<b>3,269</b>	<b>913,999</b>	<b>12,000</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>Brought Forward 1 April 2018</b>	<b>(6,380)</b>	<b>(12,764)</b>	<b>(17,590)</b>	<b>(101,810)</b>	<b>(5,054)</b>	<b>(1)</b>	<b>-</b>	<b>(143,598)</b>	<b>(236)</b>
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	-
<b>Balance Carried Forward 31 March 2019</b>	<b>(6,982)</b>	<b>(13,354)</b>	<b>(10,251)</b>	<b>(106,022)</b>	<b>(4,435)</b>	<b>-</b>	<b>-</b>	<b>(141,044)</b>	<b>(380)</b>
<b>Balance Sheet Amount 1 April 2018</b>	<b>310,004</b>	<b>325,963</b>	<b>11,234</b>	<b>86,080</b>	<b>7,662</b>	<b>1,335</b>	<b>988</b>	<b>743,265</b>	<b>6,644</b>
<b>Balance Sheet Amount 31 March 2019</b>	<b>329,367</b>	<b>331,062</b>	<b>12,410</b>	<b>87,815</b>	<b>7,296</b>	<b>1,735</b>	<b>3,269</b>	<b>772,956</b>	<b>11,620</b>

## 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
<b>Cost or Valuation</b>									
<b>Brought Forward 1 April 2017</b>	<b>309,544</b>	<b>321,032</b>	<b>29,431</b>	<b>180,376</b>	<b>12,487</b>	<b>334</b>	<b>1,316</b>	<b>854,520</b>	<b>7,341</b>
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)	-
<b>Balance Carried Forward 31 March 2018</b>	<b>316,383</b>	<b>338,725</b>	<b>28,823</b>	<b>187,890</b>	<b>12,717</b>	<b>1,336</b>	<b>988</b>	<b>886,862</b>	<b>6,880</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>Brought Forward 1 April 2017</b>	<b>(8,763)</b>	<b>(14,457)</b>	<b>(17,699)</b>	<b>(97,137)</b>	<b>(4,769)</b>	<b>(11)</b>	<b>-</b>	<b>(142,834)</b>	<b>(993)</b>
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	-
<b>Balance Carried Forward 31 March 2018</b>	<b>(6,380)</b>	<b>(12,764)</b>	<b>(17,590)</b>	<b>(101,810)</b>	<b>(5,054)</b>	<b>-</b>	<b>-</b>	<b>(143,598)</b>	<b>(236)</b>
<b>Balance Sheet Amount 1 April 2017</b>	<b>300,782</b>	<b>306,575</b>	<b>11,732</b>	<b>83,240</b>	<b>7,718</b>	<b>323</b>	<b>1,316</b>	<b>711,686</b>	<b>6,348</b>
<b>Balance Sheet Amount 31 March 2018</b>	<b>310,003</b>	<b>325,962</b>	<b>11,233</b>	<b>86,080</b>	<b>7,663</b>	<b>1,336</b>	<b>988</b>	<b>743,265</b>	<b>6,644</b>

## 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Net (gain) / loss</b>	<b>(4,366)</b>	<b>(213)</b>

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

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

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 22<sup>nd</sup> 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
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Investments	-	3,400	425	9,050
Debtors (Note 16)	-	-	-	27,800
Long term debtors	-	2,675	-	-
Cash and Cash Equivalents (Note 17)	-	-	-	43
<b>Total Financial Assets - Loans and receivables</b>	<b>-</b>	<b>6,075</b>	<b>425</b>	<b>36,893</b>
<b>Financial assets at amortised cost</b>				
Investments	3,400	-	-	-
Debtors	3,058	-	26,256	-
Cash and cash equivalents	-	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>				
Investments	-	-	-	-
Debtors	-	-	-	-
<b>Total Financial Assets</b>	<b>6,458</b>	<b>6,075</b>	<b>26,681</b>	<b>36,893</b>
<b>Financial Liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
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)
<b>Total Financial Liabilities</b>	<b>(99,568)</b>	<b>(150,812)</b>	<b>(104,579)</b>	<b>(58,597)</b>

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

## 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		-	-	-
<b>Total net (gains)/losses</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>-</b>
<b>Interest revenue</b>				
Financial assets at amortised cost	(1,341)	-	(334)	-
Other financial assets at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>(1,341)</b>	<b>-</b>	<b>(334)</b>	<b>-</b>
<b>Interest expense</b>	<b>3,898</b>	<b>-</b>	<b>4,897</b>	<b>-</b>

## 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
<b>Financial assets carried at amortised cost</b>					
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
<b>Total Financial Assets</b>		<b>33,139</b>	<b>33,139</b>	<b>42,969</b>	<b>43,008</b>
<b>Financial liabilities carried at amortised cost</b>					
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)
<b>Total Financial Liabilities</b>		<b>(204,147)</b>	<b>(228,864)</b>	<b>(209,410)</b>	<b>(233,771)</b>

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
<b>Balance at 1 April</b>	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)	-
<b>Balance at 31 March</b>	<b>20</b>	<b>203</b>	<b>3,683</b>	<b>2,940</b>

#### 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
<b>Total</b>	<b>1,491</b>	<b>1,281</b>

#### 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
<b>Total</b>	<b>47,901</b>	<b>47,203</b>

## 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)
<b>Total Cash and Cash Equivalents</b>	<b>(1,618)</b>	<b>(2,169)</b>

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)
<b>Total</b>	<b>(41,488)</b>	<b>(46,902)</b>

## 19. Provisions

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

### 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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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)
<b>Total Usable Reserves</b>	<b>(85,036)</b>	<b>(79,216)</b>

### 21. Unusable Reserves

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Total Unusable Reserves</b>	<b>(249,393)</b>	<b>(225,370)</b>

### 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.

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

### 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(370,400)</b>	<b>(368,361)</b>
<b>Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:</b>		
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	<b>46,837</b>	<b>39,120</b>
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	<b>39,198</b>	<b>32,488</b>
<b>Capital Financing applied in the year:</b>		
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)
	<b>(32,898)</b>	<b>(37,253)</b>
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(462)	2,726
<b>Balance at 31 March</b>	<b>(364,562)</b>	<b>(370,400)</b>

### 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
<b>Balance at 1 April</b>	<b>(397)</b>	<b>(397)</b>
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	-	-
<b>Balance at 31 March</b>	<b>(397)</b>	<b>(397)</b>

### 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>256</b>	<b>318</b>
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	<b>(35)</b>	<b>(62)</b>
<b>Balance at 31 March</b>	<b>221</b>	<b>256</b>

### 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>359,320</b>	<b>410,518</b>
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)
<b>Balance at 31 March</b>	<b>362,545</b>	<b>359,320</b>

### 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>1,092</b>	<b>1,077</b>
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	<b>(6)</b>	<b>15</b>
<b>Balance at 31 March</b>	<b>1,086</b>	<b>1,092</b>

### 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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>2,314</b>	<b>1,044</b>
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
<b>Balance at 31 March</b>	<b>1,823</b>	<b>2,314</b>

## 22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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)
	<b>56,212</b>	<b>22,624</b>

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

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

### 23. Cash Flow Statement - Investing Activities

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Net cash flows from investing activities</b>	<b>(26,214)</b>	<b>(51,892)</b>

### 24. Cash Flow Statement - Financing Activities

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Net cash flows from financing activities</b>	<b>3,386</b>	<b>(49,200)</b>

### 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.

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

<b>Net (Surplus) / Deficit</b>	<b>(901)</b>	<b>(820)</b>
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### Trade Refuse

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

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

### Golf Course Management

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

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

### 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.

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

## 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.

<b>2018/19</b>	<b>2017/18</b>
----------------	----------------

	<b>£'000</b>	<b>£'000</b>
<u>Funding provided to the Pooled Budget:-</u>		
The Council	644	645
Partners	7,706	7,054
	<b>8,350</b>	<b>7,699</b>
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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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.

	<b>2018/19</b>	<b>2017/18</b>
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	-
<b>Total</b>	<b>92</b>	<b>83</b>

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

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

<b>Individuals Posts of Senior Employees :</b>						
	<b>Salary, fee &amp; allowances</b>	<b>Compensation for loss of Office</b>	<b>Expenses</b>	<b>Total</b>	<b>Pension</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>2018/19</u></b>						
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
	<b>471</b>	<b>117</b>	<b>0</b>	<b>588</b>	<b>71</b>	<b>659</b>
<b><u>2017/18</u></b>						
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
	<b>468</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>70</b>	<b>539</b>
<p>* 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.</p> <p>** 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.</p> <p>*** Service Director (Legal &amp; 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.</p> <p>**** 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.</p>						

## 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
<b><u>2018/19</u></b>				
£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
<b>Totals for 2018/19</b>	<b>39</b>	<b>28</b>	<b>67</b>	<b>1,399</b>
<b><u>2017/18</u></b>				
£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
<b>Totals for 2017/18</b>	<b>45</b>	<b>58</b>	<b>103</b>	<b>2,487</b>

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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>Central Expenditure £'000</b>	<b>Individual Schools Budget £'000</b>	<b>Total £'000</b>
<b>Final DSG for 2018/19 before Academy recoupment</b>			<b>119,413</b>
Academy figure recouped for 2018/19			(85,085)
<b>Total DSG after Academy recoupment for 2018/19</b>			<b>34,328</b>
<b>Plus: Brought Forward from 2017/18</b>			<b>(3,188)</b>
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
<b>Final budgeted distribution for 2018/19</b>	<b>17,964</b>	<b>17,709</b>	<b>35,673</b>
Less Actual Central Expenditure	(17,827)	-	(17,827)
Less Actual ISB deployed to Schools	-	(17,789)	(17,789)
<b>Carry Forward to 2019/20</b>	<b>137</b>	<b>(80)</b>	<b>(3,131)</b>

### 32. Grant Income

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<b>Revenue Grants:</b>		
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	<u>(14,421)</u>	<u>(20,961)</u>
<b>Capital Grants and Contributions</b>		
Miscellaneous Transport Grants	(1,767)	(4,044)
Other Contributions	(9,528)	(7,851)
Sub -total	<u>(11,295)</u>	<u>(11,895)</u>
<b>Total</b>	<b><u>(25,716)</u></b>	<b><u>(32,856)</u></b>
	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Services</b>		
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)
<b>Total</b>	<b><u>(138,700)</u></b>	<b><u>(143,889)</u></b>

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:

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

Other Contributions	(3,156)	(5,747)
<b>Total</b>	<b>(4,600)</b>	<b>(6,894)</b>

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

### 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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Owing to</b>	<b>Owing from</b>	<b>Owing to</b>	<b>Owing from</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Owing to</b>	<b>Owing from</b>	<b>Owing to</b>	<b>Owing from</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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.

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

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

	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Owing to</b>	<b>Owing from</b>	<b>Owing to</b>	<b>Owing from</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Owing to</b>	<b>Owing from</b>	<b>Owing to</b>	<b>Owing from</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>241,126</b>	<b>188,475</b>
<b>Capital Investment</b>		
- Property, Plant & Equipment	38,745	35,645
- Investment Property	1,996	49,364
- Assets Held for Sale	-	-
- Inventory	-	-
- Intangible Assets	36	517
- Deferred Debtors	-	-
<b>Revenue Expenditure Funded from Capital under Statute</b>	<b>4,872</b>	<b>4,378</b>
<b>Sources of Finance:</b>		
- 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)
<b>Other Sums set aside from Revenue:</b>		
- Revenue Provision for Repayment of Borrowing	(4,967)	(4,937)
<b>Closing Capital Financing Requirement</b>	<b>253,877</b>	<b>241,125</b>
<b>Explanation of movements in year:</b>		
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	-	-
<b>Increase in Capital Financing Requirement</b>	<b>12,750</b>	<b>52,650</b>

### 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.

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

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:

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

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

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

### **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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>7,037</b>	<b>7,706</b>

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:

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

## 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:-

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>31,018</b>	<b>28,044</b>

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.

	<b>Capital</b>	<b>Interest</b>	<b>Service</b>
	<b>Obligation</b>	<b>Element</b>	<b>Charge</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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:-

<b>Directorate</b>	<b>2018/19</b>			<b>2017/18</b>		
	<b>No. of People</b>		<b>£'000</b>	<b>No. of People</b>		<b>£'000</b>
	<b>Compulsory</b>	<b>Agreed</b>		<b>Compulsory</b>	<b>Agreed</b>	
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.

	<b>2018/19</b>	<b>2017/18</b>
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:

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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	<b>(362,545)</b>	<b>(359,320)</b>

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

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Fair Value of Scheme Assets 1 April</b>	<b>453,738</b>	<b>447,225</b>
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)
<b>Closing Fair Value of Scheme Assets at 31 March</b>	<b>468,184</b>	<b>453,739</b>

## 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.

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
- Service Cost	22,479	11,963
- Administration Cost	363	317
- Interest Income	(11,475)	(11,829)
	<u>11,367</u>	<u>451</u>
<b>Financing and Investment Income and Expenditure</b>		
- Interest Cost	20,452	22,537
<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>31,819</b>	<b>22,988</b>
<b>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>		
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	-	-
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>40,891</b>	<b>33,598</b>
<b>Movement in Reserves Statement</b>		
- 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)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
- 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
<b>Opening Balance at 1 April</b>	<b>(813,059)</b>	<b>(857,743)</b>
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
<b>Closing Balance at 31 March</b>	<b>(824,850)</b>	<b>(813,059)</b>

### 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
	<b>468,184</b>	<b>453,739</b>

### 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:

<b>Local Government Pension Scheme</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>%</b>	<b>%</b>
Expected rate of return on assets in the scheme:	5.00	5.00
	<b>2018/19</b>	<b>2017/18</b>
	<b>Years</b>	<b>Years</b>
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
	<b>2018/19</b>	<b>2017/18</b>
	<b>%</b>	<b>%</b>
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.

	<b>Impact on the Defined Benefit Obligation in the Scheme</b>	
	<b>Increase in Assumption</b>	<b>Decrease in Assumption</b>
	<b>£'000</b>	<b>£'000</b>
<b>Longevity (increase or decrease in 1 year)</b>	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.

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

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:

	<b>Balance as at 31 March 2019 £'000</b>	<b>Balance as at 31 March 2018 £'000</b>
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	<u>(202,529)</u>	<u>(186,944)</u>

### 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
<b>EXPENDITURE</b>		
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
<b>Total Expenditure</b>	<b>19,165</b>	<b>17,933</b>
<b>INCOME</b>		
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)
<b>Total Income</b>	<b>(23,956)</b>	<b>(24,909)</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>	<b>(4,791)</b>	<b>(6,976)</b>
HRA share of Non-Distributed Costs	(445)	(315)
<b>Net Cost of HRA Services</b>	<b>(5,236)</b>	<b>(7,291)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(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)
<b>(Surplus) / Deficit for the year on HRA Services</b>	<b>(3,086)</b>	<b>(7,281)</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2018/19 £'000	2017/18 £'000
<b>Balance at Beginning of Year</b>	<b>(1,227)</b>	<b>(1,227)</b>
(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
<b>(Increase)/Decrease in Year on the HRA</b>	-	-
<b>Balance at End of Year</b>	<b>(1,227)</b>	<b>(1,227)</b>

## 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.
<b>Houses</b>	1	1	1
	2	648	649
	3	1,055	1,061
	4	99	96
	5+	13	12
<b>Flats</b>	0	365	367
	1	1,692	1,697
	2	758	763
	3	21	21
<b>Bungalows</b>	0	8	8
	1	288	288
	2	111	111
	3	26	25
	4	-	-
	5	1	1
		<b>5,086</b>	<b>5,100</b>

### 2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	Council Dwellings £'000	Other Land & Buildings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>				
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
<b>Cumulative Depreciation and Impairments</b>				
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	<b>306,056</b>	<b>3,948</b>	<b>931</b>	<b>310,935</b>

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 £'000	2017/18 £'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	<b>(1,961)</b>	<b>(1,932)</b>

### 4. Summary of Capital Expenditure and Sources of Finance

	2018/19 £'000	2017/18 £'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)
<b>Closing Capital Financing Requirement</b>	<b>57,033</b>	<b>58,276</b>
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	-	-
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(1,243)</b>	<b>(10,005)</b>

## 5. Capital Receipts

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Usable Capital Receipts Brought Forward 1 April</b>	<b>(12,376)</b>	<b>(10,489)</b>
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	<b>(13,658)</b>	<b>(12,376)</b>

## 6. Depreciation and Impairment of Non-Current Assets

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation is charged based on the useful life of assets as follows:		
- Council Dwellings	6,883	6,246
- Other Land and Buildings	99	135
	<b>6,982</b>	<b>6,381</b>
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	<b>6,975</b>	<b>6,374</b>

## 7. Rent Arrears

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
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 £'000	2017/18 £'000
<b>INCOME</b>		
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)
<b>Total Income</b>	<b>(182,726)</b>	<b>(171,300)</b>
<b>EXPENDITURE</b>		
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	-	-
<b>Total Expenditure</b>	<b>181,953</b>	<b>173,783</b>
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
<b>Balance Carried Forward 31 March</b>	<b>4,535</b>	<b>5,308</b>
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
	<b>4,535</b>	<b>5,308</b>

## 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
<b>Total</b>	<b>68,262</b>		<b>63,608</b>

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)
<b>Total</b>	<b>(686)</b>	<b>(856)</b>

## 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
			<b>Service:</b>			
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
<b>476,286</b>	<b>(346,197)</b>	<b>130,089</b>	<b>COST OF SERVICES</b>	<b>476,189</b>	<b>(334,240)</b>	<b>141,949</b>
(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)
<b>489,310</b>	<b>(502,756)</b>	<b>(13,446)</b>	<b>(Surplus) / Deficit on Revaluation of Non-Current Assets</b>	<b>509,129</b>	<b>(481,744)</b>	<b>27,385</b>
		(34,726)	(Surplus) / Deficit on Revaluation of Non-current Assets			(34,313)
		(59,673)	Actuarial (gains) / losses on Pensions Assets / Liabilities			(13,171)
		<b>(94,399)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(47,484)</b>
		<b>(107,845)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(20,099)</b>

## GROUP ACCOUNTS

### GROUP MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund £'000	Earmarked General Fund Reserves £'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	Council's Share of Reserves of Subsidiaries and Joint Ventures £'000	Total Reserves £'000
<b>Balance at 1 April 2018</b>	<b>(8,355)</b>	<b>(31,168)</b>	<b>(1,227)</b>	<b>(1,932)</b>	<b>(14,476)</b>	<b>(22,057)</b>	<b>(79,215)</b>	<b>(225,372)</b>	<b>(304,586)</b>	<b>(99,188)</b>	<b>(403,774)</b>
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>26,606</b>	<b>-</b>	<b>(3,085)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,521</b>	<b>(47,483)</b>	<b>(23,962)</b>	<b>3,863</b>	<b>(20,099)</b>
Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries	-	-	-	-	-	-	-	-	-	-	-
<b>Net (Increase) / Decrease before Transfers</b>	<b>26,606</b>	<b>-</b>	<b>(3,085)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,521</b>	<b>(47,483)</b>	<b>(23,962)</b>	<b>3,863</b>	<b>(20,099)</b>
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	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves - Note 8</b>	<b>(4,404)</b>	<b>-</b>	<b>(987)</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(5,820)</b>	<b>(18,142)</b>	<b>(23,962)</b>	<b>3,863</b>	<b>(20,099)</b>
Transfers (to) / from Earmarked Reserves	4,635	(5,622)	987	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>231</b>	<b>(5,622)</b>	<b>-</b>	<b>(29)</b>	<b>820</b>	<b>(1,220)</b>	<b>(5,820)</b>	<b>(18,142)</b>	<b>(23,962)</b>	<b>3,863</b>	<b>(20,099)</b>
<b>Balance at 31 March 2019</b>	<b>(8,124)</b>	<b>(36,790)</b>	<b>(1,227)</b>	<b>(1,961)</b>	<b>(13,656)</b>	<b>(23,277)</b>	<b>(85,035)</b>	<b>(243,514)</b>	<b>(328,548)</b>	<b>(95,325)</b>	<b>(423,874)</b>

## 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
<b>Balance at 1 April 2017</b>	<b>(8,245)</b>	<b>(30,825)</b>	<b>(1,227)</b>	<b>(5,412)</b>	<b>(14,908)</b>	<b>(21,605)</b>	<b>(82,222)</b>	<b>(145,263)</b>	<b>(227,485)</b>	<b>(68,446)</b>	<b>(295,930)</b>
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>24,578</b>	<b>-</b>	<b>(7,281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,297</b>	<b>(94,398)</b>	<b>(77,101)</b>	<b>(30,740)</b>	<b>(107,841)</b>
Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries	-	-	-	-	-	-	-	-	-	-	-
<b>Net (Increase) / Decrease before Transfers</b>	<b>24,578</b>	<b>-</b>	<b>(7,281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,297</b>	<b>(94,398)</b>	<b>(77,101)</b>	<b>(30,740)</b>	<b>(107,841)</b>
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	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves - Note 8</b>	<b>2,592</b>	<b>-</b>	<b>(3,047)</b>	<b>3,480</b>	<b>432</b>	<b>(451)</b>	<b>3,006</b>	<b>(80,108)</b>	<b>(77,101)</b>	<b>(30,740)</b>	<b>(107,841)</b>
Transfers (to) / from Earmarked Reserves	(2,704)	(343)	3,047	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(112)</b>	<b>(343)</b>	<b>-</b>	<b>3,480</b>	<b>432</b>	<b>(451)</b>	<b>3,006</b>	<b>(80,108)</b>	<b>(77,101)</b>	<b>(30,740)</b>	<b>(107,841)</b>
<b>Balance at 31 March 2018</b>	<b>(8,357)</b>	<b>(31,168)</b>	<b>(1,227)</b>	<b>(1,932)</b>	<b>(14,476)</b>	<b>(22,056)</b>	<b>(79,216)</b>	<b>(225,371)</b>	<b>(304,586)</b>	<b>(99,185)</b>	<b>(403,772)</b>

## 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
<b>Total Long-Term Assets</b>	<b>954,525</b>	<b>925,653</b>
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
<b>Total Current Assets</b>	<b>57,206</b>	<b>63,771</b>
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)
<b>Total Current Liabilities</b>	<b>(121,901)</b>	<b>(76,019)</b>
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)
<b>Total Long-Term Liabilities</b>	<b>(465,956)</b>	<b>(509,632)</b>
<b>Net Assets</b>	<b>423,874</b>	<b>403,772</b>
Usable Reserves	(87,733)	(81,561)
Unusable Reserves	5 (336,141)	(322,210)
<b>Total Reserves</b>	<b>(423,874)</b>	<b>(403,772)</b>

## 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
Seascape Group Limited	Subsidiary	Consolidated
Seascape South Limited	Subsidiary	Consolidated
Seascape 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.

<b>Year of Valuation</b>	<b>£'000</b>
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
	<b>823,578</b>

## 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
<b>Cost or Valuation</b>									
<b>Brought Forward 1 April 2018</b>	<b>316,383</b>	<b>386,740</b>	<b>28,957</b>	<b>187,891</b>	<b>12,717</b>	<b>1,335</b>	<b>2,140</b>	<b>936,165</b>	<b>6,880</b>
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)	-
<b>Balance Carried Forward 31 March 2019</b>	<b>336,349</b>	<b>399,381</b>	<b>22,662</b>	<b>193,838</b>	<b>11,731</b>	<b>1,734</b>	<b>4,322</b>	<b>970,017</b>	<b>12,000</b>
<b>Depreciation</b>									
<b>Brought Forward 1 April 2018</b>	<b>(6,379)</b>	<b>(18,197)</b>	<b>(17,723)</b>	<b>(101,810)</b>	<b>(5,054)</b>	<b>-</b>	<b>-</b>	<b>(149,163)</b>	<b>(236)</b>
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	-
<b>Balance Carried Forward 31 March 2019</b>	<b>(6,980)</b>	<b>(18,750)</b>	<b>(10,255)</b>	<b>(106,021)</b>	<b>(4,434)</b>	<b>-</b>	<b>-</b>	<b>(146,439)</b>	<b>(380)</b>
<b>Balance Sheet Amount 1 April 2018</b>	<b>310,004</b>	<b>368,544</b>	<b>11,235</b>	<b>86,081</b>	<b>7,663</b>	<b>1,335</b>	<b>2,140</b>	<b>787,001</b>	<b>6,644</b>
<b>Balance Sheet Amount 31 March 2019</b>	<b>329,368</b>	<b>380,631</b>	<b>12,407</b>	<b>87,817</b>	<b>7,297</b>	<b>1,734</b>	<b>4,322</b>	<b>823,577</b>	<b>11,620</b>

## 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
<b>Cost or Valuation</b>									
<b>Brought Forward 1 April 2017</b>	<b>309,545</b>	<b>365,107</b>	<b>29,565</b>	<b>180,377</b>	<b>12,487</b>	<b>333</b>	<b>2,232</b>	<b>899,646</b>	<b>7,341</b>
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)	-
<b>Balance Carried Forward 31 March 2018</b>	<b>316,385</b>	<b>386,740</b>	<b>28,957</b>	<b>187,891</b>	<b>12,717</b>	<b>1,335</b>	<b>2,140</b>	<b>936,165</b>	<b>6,880</b>
<b>Depreciation</b>									
<b>Brought Forward 1 April 2017</b>	<b>(8,762)</b>	<b>(19,661)</b>	<b>(17,828)</b>	<b>(97,137)</b>	<b>(4,769)</b>	<b>(10)</b>	<b>-</b>	<b>(148,167)</b>	<b>(993)</b>
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	-
<b>Balance Carried Forward 31 March 2018</b>	<b>(6,379)</b>	<b>(18,197)</b>	<b>(17,723)</b>	<b>(101,810)</b>	<b>(5,054)</b>	<b>1</b>	<b>-</b>	<b>(149,163)</b>	<b>(236)</b>
<b>Balance Sheet Amount 1 April 2017</b>	<b>300,783</b>	<b>345,446</b>	<b>11,737</b>	<b>83,240</b>	<b>7,718</b>	<b>323</b>	<b>2,232</b>	<b>751,480</b>	<b>6,348</b>
<b>Balance Sheet Amount 31 March 2018</b>	<b>310,006</b>	<b>368,543</b>	<b>11,233</b>	<b>86,081</b>	<b>7,663</b>	<b>1,336</b>	<b>2,140</b>	<b>787,002</b>	<b>6,644</b>

## 6. Heritage Assets

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

	<b>Civic Regalia £'000</b>	<b>Museum Collection £'000</b>	<b>Total Assets £'000</b>
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

	<b>31 March 2019 £'000</b>	<b>Restated 31 March 2018 £'000</b>
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
<b>Total Unusable Reserves</b>	<b>(336,141)</b>	<b>(322,210)</b>

## 8. Intra Group Loans

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

<b>2018/19</b>					
	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
<b>2017/18</b>					
	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:

<b>Issue</b>	<b>Detailed Issues</b>	<b>Summary Action Plan</b>
<b>Information Governance</b>	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
<b>Ofsted – Inspection of Children's Social Services</b>	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.

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**G Farrant - Chief Executive of BCP Council**

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**Date**

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**V Slade - Leader of BCP Council**

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**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](http://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.