



# **STATEMENT OF ACCOUNTS 2018/19**

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## NARRATIVE REPORT

### Introduction

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

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

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

### Local Government Reorganisation in Dorset

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

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

### Borough of Poole

The Council's 2018/19 budget was developed within the context of the Council's Corporate Strategy which provided a clear long term vision for Poole and the ambition not only for it to be a great place to live, learn, work, play and do business, but also a place where the most vulnerable people in the community are looked after.

The response to the challenge as summarised by the Poole 2020 strategy, was an approach which focused on acting responsibly and preparing for the future by changing the way the Council worked. The emphasis was that the Borough of Poole must live within its means and to achieve this they would become more entrepreneurial using best business practice and become more efficient in the way decisions are made and services delivered. To achieve this Poole Council continued to look at proposals such as;

- Further cost cutting and redesigning of services;
- Working more closely with partners to deliver services together;
- Generating new income streams to support local services;
- Reviewing fees and charges;
- Raising Council Tax including the implementation of the Governments social care precept (it should be noted that Poole had the lowest Council Tax in Dorset over the 17 years up to and including 2018/19).

It was though absolutely clear that to continue to do the best for its residents the Council had to continue to make difficult decisions and although every effort was made to deliver its priorities and protect local services, the scale of savings required would inevitably mean;

- Changes in the way services are delivered (lower cost ways of delivering services);
- Some service reductions.

In support of this strategy and specifically in relation to the development and approval of a balanced budget for 2018/19 the Council assessed the following workstreams;

- Delivering a range of proposals which will generate positive returns to the Council;
- Investing in key Council priorities;
- Encouraging and incentivising people into work;
- Continuing to develop partnerships with other Public Sector Bodies;
- Redesigning services and driving out efficiencies;
- Exploring a Digital Council approach;
- Considering commercialisation of its services where appropriate;
- Considering levels of fees and charges;
- Reviewing Council pay and cost of employment policies.

Despite the climate of continued austerity, the Council continued to deliver its strategic role in the community. The strategy also recognised that the Government's aim to put the public finances on a sustainable footing. The Government, as part of this approach, presented the Borough of Poole with a significant financial challenge by reducing its core funding for local services to nil by April 2019. This represented a reduction equivalent to approximately £36m per annum.

## **National Picture**

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

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

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

## **The Financial Position for 2018/19**

Despite the continued loss of funding from Central Government and increasing demands and pressures on services an overall balanced position against the working budget was achieved.

In developing its financial strategy the Council had a clear ambition to deliver by 2019/20 a sustainable budget not reliant on the use of reserves to continue services that would otherwise be unaffordable.

The outturn figures for the General Fund included in the table below are different to the figures shown within the Comprehensive Income and Expenditure Statement due to financial accounting adjustments required to be shown in the Statement of Accounts under IFRS. These adjustments include capital charges such as depreciation and impairment, and IAS 19 adjustments including Pensions costs and the holiday pay accrual. The Council includes transfers to or from reserves within the outturn as this provides income or contributes to reserves but these amounts are excluded from the Comprehensive Income and Expenditure Statement and are included within the Movement in Reserves Statement. In addition, Schools and the HRA are combined with the General Fund position.

	Actuals	Revised Budget	Variance	Use of Reserves	Net Variance
	£'000	£'000	£'000	£'000	£'000
People - Children	32,249	33,537	(1,289)	1,063	(226)
People - Adult Social Care	39,201	44,571	(5,370)	3,832	(1,538)
People - Other	1,320	2,052	(732)	448	(284)
Places	35,522	36,894	(1,373)	781	(592)
Business Improvement	4,443	4,274	169	603	772
Pensions	2,691	2,716	(25)	-	(25)
Surplus property costs	164	171	(7)	-	(7)
Fisheries and courts	397	319	78	-	78
Staff Restructuring Costs	-	-	-	-	-
Preparation for Local Government Reorganisation	1,277	-	1,277	396	1,673
In-Year Revised Resource Allocations	(13)	(81)	68	-	68
<b>Net Cost of Services</b>	<b>117,251</b>	<b>124,453</b>	<b>(7,202)</b>	<b>7,123</b>	<b>(79)</b>
Corporate Items	(117,251)	(124,453)	7,202	2,202	9,404
<b>Total Outturn</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,325</b>	<b>9,325</b>

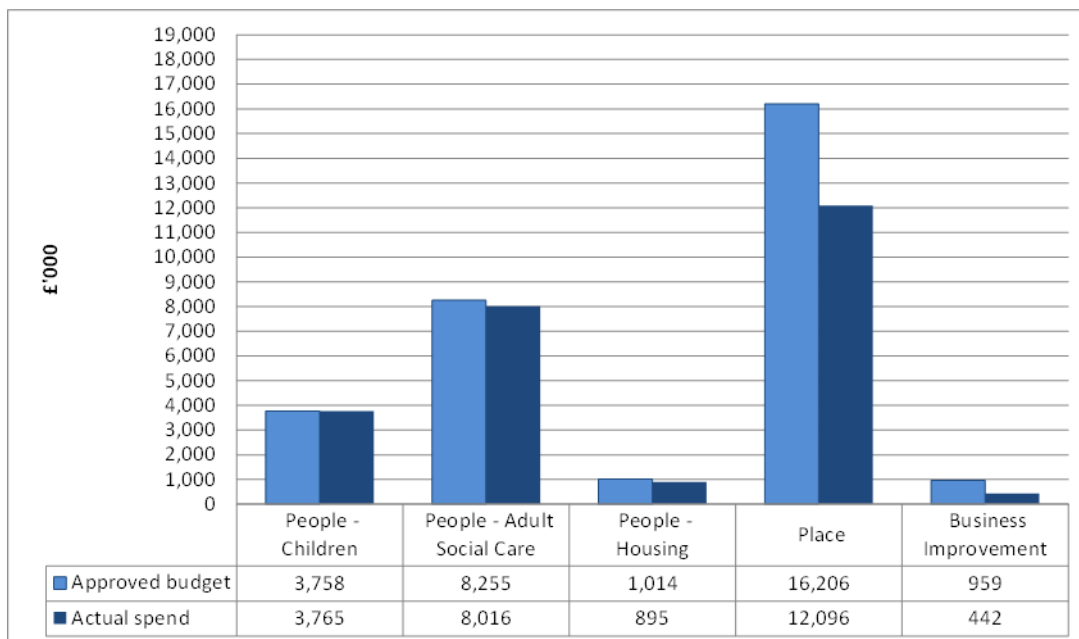
## Capital

The Council invested £25.2m in its General Fund capital infrastructure during 2018/19 which represents 84% spend of the final approved resources. This continues to demonstrate the Council's success over recent years in maintaining a high rate of delivery as set out below;

### Capital spend against December approved programme each year

	2014/15	2015/16	2016/17	2017/18	2018/19
December approved Programme £m	27.4	23.7	35.4	23.6	30.2
Spend £ million	23.9	22.7	33.2	22.3	25.2
% Spend against Programme	87%	96%	94%	95%	84%

Steady progress has been made in delivery of approved capital schemes across most of the Council's Themes. Final spend in the Place Theme reflects the latest delivery timelines of specific capital projects including fleet vehicle replacement, and parks and seafront development projects, with spend now rescheduled to 2019/20. The DLEP funded Townside Access Scheme planned spend in 2018/19 has also reduced by over £2m Investment in the Council's ICT Investment Plan (Business Improvement) will continue into 2019/20. A summary of Portfolio performance is presented in the chart below:



### Housing Revenue Account

The Housing Revenue Account for the period 1 April 2018 to 31 March 2019 has been prepared by Poole Housing Partnership (PHP).

The following table provides the updated position for the year end.

#### HRA Revenue Account at 31 March 2019

HRA Revenue	Budget £000's	Outturn £000's	Variance £000's
Dwelling Rents	(19,666)	(19,642)	24
Service Charges	(1,253)	(1,261)	(8)
Other Income	(275)	(279)	(4)
General Fund Contribution (a)	0	(197)	(197)
<b>Revenue Income</b>	<b>(21,194)</b>	<b>(21,379)</b>	<b>(185)</b>
Management Fee (b)	7,784	7,507	(277)
Utilities & Overheads (c)	2,242	2,126	(116)
Depreciation	4,704	4,797	93
RCCO (d)	3,333	3,876	543
Cost of Capital	3,134	3,073	(61)
<b>Total Expenditure</b>	<b>21,197</b>	<b>21,379</b>	<b>182</b>
<b>(Surplus)/Deficit</b>	<b>3</b>	<b>(0)</b>	<b>(3)</b>

#### Notes:

(a) This is a contribution from the General Fund towards the cost of buying back 2 properties which did not meet the HRA criteria but as much-needed 3 and 4 bed houses a contribution was from General Fund s.106 funding. .

(b) At the March PHP Board the management fee was reduced to the level forecast at quarter 3 with any additional surplus at year end added to the PHP reserves.

(c) The main variance within utilities and overheads relates to a reduction in the bad debt provision of £95k following a review.

(d) The RCCO is adjusted to reflect the net movements on income and expenditure across the HRA with the contribution above budget of £543k reflecting the favourable outturn position.

### **Pensions Liability**

The Council's pension liability has been calculated in accordance with International Accounting Standard 19 (IAS 19 Employee Benefits) as assessed by the pension fund actuary.

The valuations and financial assumptions required by IAS 19 produce volatile numbers from year to year. In addition, extreme fluctuations as a result of the economic climate during recent financial years means the actuarial assumptions are similarly volatile.

Pensions need to be viewed in the long term and conclusions should not be drawn at a point in time, particularly during major changes in the economic climate.

### **Statement of Accounts**

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

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

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

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

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

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

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

The HRA financial statements are presented in three sections:

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

**The Collection Fund** – This statement reflects the Council's statutory obligation as the billing authority to maintain a separate Collection Fund. The Collection Fund is managed by the Council to

receive business rates and council tax income. It is used to collect payments from business rate and council tax payers and to make payments to Central Government, Borough of Poole and the Fire Authority in respect of business rates, and to the Police and Fire Authorities and Borough of Poole in respect of council tax.

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

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

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

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

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

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

## **Adam Richens FCCA CPFA**

Chief Finance Officer and Director of Finance

Bournemouth, Christchurch and Poole Council

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **1. The Council's responsibilities**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve The Audited Statement of Accounts by 31 July 2019 as specified by the Secretary of State.

### **2. Chief Financial Officer Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom, is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the financial year ended 31 March 2019.

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

- established suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Financial Officer has also:

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

### **3. Chief Financial Officer's certificate**

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2019, and its income and expenditure for the year then ended.

A Richens

ADAM RICHENS  
CHIEF FINANCIAL OFFICER  
30<sup>th</sup> May 2019

Certification is required by 31 May 2019

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
70,583	(45,877)	24,706	People - Children	76,487	(44,533)	31,954	
60,967	(18,887)	42,080	People - Adult Social Care	62,263	(23,271)	38,993	
14,446	(12,608)	1,838	People - Other	13,606	(12,286)	1,320	
58,591	(22,868)	35,723	Places	59,639	(24,416)	35,223	
60,699	(54,708)	5,991	Business Improvement	54,380	(48,702)	5,678	
460	0	460	Fisheries and Courts	397	0	397	
16,537	(3)	16,534	Non Distributed Costs (NDC)	(763)	(85)	(848)	
10,648	(22,034)	(11,386)	Local Authority Housing (Housing Revenue Account)	10,906	(21,265)	(10,359)	
<b>292,931</b>	<b>(176,985)</b>	<b>115,946</b>	<b>Cost of Services</b>	<b>276,915</b>	<b>(174,557)</b>	<b>102,358</b>	
39,436	(3,278)	36,158	Other Operating Expenditure (see Note 8)	6,751	(1,771)	4,980	
10,649	(2,790)	7,859	Financing and Investment Income and Expenditure (see Note 9)	10,527	(3,107)	7,420	
0	(113,847)	(113,847)	Taxation and Non-Specific Grant Income (see Note 10)	0	(124,709)	(124,709)	
<b>343,015</b>	<b>(296,901)</b>	<b>46,116</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>294,194</b>	<b>(304,143)</b>	<b>(9,951)</b>	
			(17,761) (Surplus) / Deficit on Revaluation of Non-Current Assets			(12,896)	
			(42,352) Actuarial gains / losses on Pensions Assets / Liabilities			(11,480)	
			<b>(60,113) Other Comprehensive Income and Expenditure</b>			<b>(24,376)</b>	
			<b>(13,997) Total Comprehensive Income and Expenditure</b>			<b>(34,327)</b>	

## MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	(7,636)	(26,292)	(33,928)	(580)	(11,751)	(5,998)	(27)	(52,284)	(249,896)	(302,180)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	(2,576)		(2,576)	(7,375)				(9,950)	-	(9,950)
Other Comprehensive Income and Expenditure - CIES									(24,376)	(24,376)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,576)</b>	<b>-</b>	<b>(2,576)</b>	<b>(7,375)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,951)</b>	<b>(24,376)</b>	<b>(34,326)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(5,693)		(5,693)	7,375	586	297	(10,824)	(8,260)	8,260	-
<b>Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves</b>	<b>(8,270)</b>	<b>-</b>	<b>(8,270)</b>	<b>-</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(18,211)</b>	<b>(16,116)</b>	<b>(34,326)</b>
Transfers (to) / from Earmarked Reserves (See Note 7)	8,149	(8,149)	-	-				-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(121)</b>	<b>(8,149)</b>	<b>(8,270)</b>	<b>-</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(18,211)</b>	<b>(16,116)</b>	<b>(34,326)</b>
<b>Balance at 31 March 2019</b>	<b>(7,757)</b>	<b>(34,442)</b>	<b>(42,199)</b>	<b>(580)</b>	<b>(11,165)</b>	<b>(5,701)</b>	<b>(10,851)</b>	<b>(70,495)</b>	<b>(266,012)</b>	<b>(336,507)</b>

## MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	<b>(8,413)</b>	<b>(27,368)</b>	<b>(35,781)</b>	<b>(580)</b>	<b>(10,642)</b>	<b>(4,934)</b>	<b>(47)</b>	<b>(51,984)</b>	<b>(236,200)</b>	<b>(288,184)</b>
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	54,486		54,486	(8,370)				46,116	-	46,116
Other Comprehensive Income and Expenditure - CIES									(60,112)	(60,112)
<b>Total Comprehensive Income and Expenditure</b>	<b>54,486</b>	<b>-</b>	<b>54,486</b>	<b>(8,370)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,116</b>	<b>(60,112)</b>	<b>(13,996)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 6)	(52,633)		(52,633)	8,370	(1,109)	(1,064)	20	(46,416)	46,416	0
<b>Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves</b>	<b>1,853</b>	<b>-</b>	<b>1,853</b>	<b>-</b>	<b>(1,109)</b>	<b>(1,064)</b>	<b>20</b>	<b>(300)</b>	<b>(13,696)</b>	<b>(13,996)</b>
Transfers (to) / from Earmarked Reserves (See Note 7)	(1,076)	1,076	-	-				-	-	-
<b>(Increase) / Decrease in Year</b>	<b>777</b>	<b>1,076</b>	<b>1,853</b>	<b>-</b>	<b>(1,109)</b>	<b>(1,064)</b>	<b>20</b>	<b>(300)</b>	<b>(13,696)</b>	<b>(13,996)</b>
<b>Balance at 31 March 2018</b>	<b>(7,636)</b>	<b>(26,292)</b>	<b>(33,928)</b>	<b>(580)</b>	<b>(11,751)</b>	<b>(5,998)</b>	<b>(27)</b>	<b>(52,284)</b>	<b>(249,896)</b>	<b>(302,180)</b>

## BALANCE SHEET

	Note	2018/19 £'000	2017/18 £'000
Property, Plant and Equipment	11	661,983	630,418
Heritage Assets		1,508	999
Investment Property	12	30,934	36,885
Intangible Assets		1,357	1,875
Long-Term Investments	34	-	7,500
Long-Term Debtors		1,939	2,179
<b>Total Long-Term Assets</b>		<b>697,722</b>	<b>679,855</b>
Short-Term Investments	34	40,131	37,125
Current Assets Held for Sale		-	-
Inventories		342	159
Short-Term Debtors	13	28,216	19,351
Cash and Cash Equivalents	14	917	926
<b>Total Current Assets</b>		<b>69,607</b>	<b>57,561</b>
Cash and Cash Equivalents - Bank Overdraft	14	(4,555)	(5,095)
Short-Term Borrowing		(8,778)	(1,218)
Short-Term Creditors	15	(39,342)	(41,662)
Grants Receipts in Advance - Capital	28	(8,041)	(11,439)
Contributions in Advance - Capital	28	(6,176)	(9,062)
<b>Total Current Liabilities</b>		<b>(66,892)</b>	<b>(68,475)</b>
Provisions	16	(8,268)	(5,824)
Long-Term Borrowing		(81,372)	(90,032)
Pensions Liability		(274,289)	(270,906)
<b>Total Long-Term Liabilities</b>		<b>(363,929)</b>	<b>(366,762)</b>
<b>Net Assets</b>		<b>336,507</b>	<b>302,179</b>
<b>Usable Reserves</b>	17		
General Fund		(7,757)	(7,636)
Housing Revenue Account		(580)	(580)
Earmarked Reserves Capital Reserves		(10,108)	(10,357)
Major Repairs Reserve		(24,334)	(15,935)
Usable Capital Receipts		(11,165)	(11,751)
Capital Grants Unused Reserve		(5,701)	(5,998)
		(10,851)	(27)
<b>Unusable Reserves</b>	18		
Revaluation Reserve		(90,142)	(79,866)
Capital Adjustment Account		(448,688)	(438,802)
Deferred Capital Receipts		(219)	(244)
Pensions Reserve		274,289	270,906
Accumulated Absence Account		944	1,147
Collection Fund		(2,191)	(3,037)
Financial Instruments Revaluation Reserve		(4)	-
<b>Total Reserves</b>		<b>(336,507)</b>	<b>(302,179)</b>

## CASH FLOW STATEMENT

	<u>Note</u>	<u>2018/19</u> <u>£'000</u>	<u>Restated</u> <u>2017/18</u> <u>£'000</u>
Net Surplus (Deficit) on the provision of services		9,951	(46,116)
Adjust net surplus (deficit) on the provision of services for non cash items		23,192	80,665
Adjust for items included in net surplus (deficit) on the provision of services that are included in Investing and financing activities		(24,693)	(10,427)
Net cash flows from operating activities	<b>20</b>	<u><b>8,450</b></u>	<u><b>24,122</b></u>
Investing Activities	<b>21</b>	(8,817)	(32,410)
Financing Activities	<b>22</b>	898	1,868
Net Increase (decrease) in cash and cash equivalents		<u><b>531</b></u>	<u><b>(6,420)</b></u>
<b>Cash and Cash Equivalents at beginning of the reporting period</b>		<u><b>(4,169)</b></u>	<u><b>2,251</b></u>
<b>Cash and Cash Equivalents at end of the reporting period</b>		<u><b>(3,638)</b></u>	<u><b>(4,169)</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

To ensure a successful closedown the Accountancy team have reviewed the Statement of Accounts for Poole and where necessary decluttered and simplified the accounts. This was carried out with consultation with the external auditors to ensure that the accounts remained compliant with all accounting standards.

### 1. Expenditure and Funding Analysis

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

#### 1a. Note to the Expenditure and Funding Analysis

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

2017/18			2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
27,067	(2,361)	24,706	25,786	6,169	31,954
39,192	2,888	42,080	35,695	3,298	38,993
1,537	300	1,837	1,323	(3)	1,320
22,661	13,063	35,723	23,192	12,031	35,223
3,770	2,221	5,991	3,548	2,130	5,678
460	-	460	397	-	397
2,789	13,745	16,534	2,856	(3,703)	(848)
(6,974)	(4,412)	(11,386)	(6,758)	(3,601)	(10,359)
<b>90,502</b>	<b>25,443</b>	<b>115,946</b>	<b>86,039</b>	<b>16,320</b>	<b>102,358</b>
(101,466)	31,637	(69,830)	(101,024)	(11,285)	(112,309)
4,051	(4,051)	-	1,039	(1,039)	-
8,765	(8,765)	-	5,677	(5,677)	-
<b>1,853</b>	<b>44,263</b>	<b>46,116</b>	<b>(8,269)</b>	<b>(1,682)</b>	<b>(9,951)</b>
<b>(36,363)</b>			<b>(34,510)</b>		
1,853			(8,269)		
<b>(34,510)</b>			<b>(42,780)</b>		

**2018/19**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
People - Children	1,702	4,613	(147)	6,169
People - Adult Social Care	373	2,912	13	3,298
People - Other	77	(83)	2	(3)
Places	9,354	2,692	(15)	12,031
Business Improvement	803	1,383	(56)	2,130
Fisheries and Courts	-	-	-	-
Non Distributed Costs (NDC)	-	(3,703)	-	(3,703)
Local Authority Housing (Housing Revenue Account)	(3,601)	-	-	(3,601)
<b>Net Cost of Services</b>	<b>8,708</b>	<b>7,814</b>	<b>(203)</b>	<b>16,320</b>
Other Income and Expenditure from the Funding Analysis	(19,612)	7,049	1,278	(11,285)
Statutory provision for the financing of capital investment	(1,039)	-	-	(1,039)
Capital expenditure charged to balances	(5,677)	-	-	(5,677)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(17,619)</b>	<b>14,863</b>	<b>1,075</b>	<b>(1,682)</b>

**2017/18**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
People - Children	421	(2,573)	(209)	(2,361)
People - Adult Social Care	668	2,261	(42)	2,888
People - Other	134	168	(2)	300
Places	8,350	4,733	(21)	13,063
Business Improvement	981	1,232	8	2,221
Fisheries and Courts	-	-	-	-
Non Distributed Costs (NDC)	6	13,739	-	13,745
Local Authority Housing (Housing Revenue Account)	(4,412)	-	-	(4,412)
<b>Net Cost of Services</b>	<b>6,148</b>	<b>19,561</b>	<b>(266)</b>	<b>25,443</b>
Other Income and Expenditure from the Funding Analysis	23,766	7,818	53	31,637
Statutory provision for the financing of capital investment	(4,051)	-	-	(4,051)
Capital expenditure charged to balances	(8,765)	-	-	(8,765)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>17,097</b>	<b>27,379</b>	<b>(213)</b>	<b>44,263</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 Restated
<b>Expenditure</b>		
Employee expenses	96,290	111,379
Other operating expenses	145,504	126,232
Transfer Payments	18,340	42,404
Depreciation, amortisation and revaluation	13,679	11,024
Revenue expenditure funded by capital under statute	3,498	2,536
Gain or Loss on Disposal of Fixed Assets	5,785	38,528
Precepts & Levies	203	199
Payments to Housing Capital Receipts Pool	436	436
Interest Payments	3,141	3,160
Changes in the fair value of investment property	268	(700)
Pensions interest cost and expected return on assets	7,049	7,818
<b>Total expenditure</b>	<b>294,194</b>	<b>343,016</b>
<b>Income</b>		
Fees, charges & other service income	(58,266)	(61,143)
Government grants	(99,335)	(110,898)
Other Contributions	(22,693)	(15,365)
Grants and contributions associated with REFCUS	(3,492)	(2,453)
Disposal of Fixed Assets	(1,772)	(3,278)
Interest and investment income	(342)	(246)
Income from council tax	(80,328)	(75,119)
Income from localised business rates	(14,014)	(15,605)
Government grants and other contributions - capital	(23,902)	(12,793)
<b>Total income</b>	<b>(304,145)</b>	<b>(296,900)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(9,951)</b>	<b>46,117</b>

## 3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 35, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a** There is a degree of uncertainty about future levels of funding for local government. The Council is estimating and accommodating this as far as possible within its Medium Term Financial Planning process. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b** Accounting for Schools – Balance Sheet Recognition

The Council recognises Schools in line with the provisions of the Code of Practice.

There are currently five types of schools within the Borough :-

- Community schools
- Voluntary controlled (VC) schools
- Voluntary aided (VA) schools
- Foundation Trust Schools

- Academies

Staff at Community schools are appointed by the Council and the Council sets the admission criteria. The Council has ownership of the Assets. These Schools are, therefore, recognised on the Council's Balance Sheet.

VC and VA school land and buildings usually rests with a charity, normally a religious body such as a Diocese. The Diocese grants a licence to the school to use the land and buildings. Under this licence arrangement, the ownership of the land and buildings have not transferred to the school but are retained by the diocese and thus are not included on the Council's balance sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For such schools within Poole, the school governing body has legal ownership of the land and buildings and if it were preparing its own balance sheet then these assets would appear. The application of IFRS 10 and Consolidated Financial Statements requires that these assets appear within our single entity statement.

Academies are not considered to be maintained schools in the Council's control. Thus, the land and building assets are not owned by the Council and not included on the Council balance sheet.

**c** The impact of schools transferring to Academy status

The accounting policy is set such that the disposal of a school asset to academy will be shown in the year in which it occurs rather than at the point that the new status is agreed. The value of the asset will be written out of the accounts as a loss on disposal against other operating income and expenditure rather than as an impairment charge against cost of services. This means that schools transferring on the 1st April in any given year will still be recognised on the Balance Sheet as at 31 March of the preceding year. In addition, if such schools were due for revaluation (in line with the 5 year cycle) then that revaluation will not be undertaken. The assets are transferred to the Academies on the basis of 125 year leases and as such it is considered that the major part of the useful life of the assets have been transferred and therefore disposed.

**d** Business Rate Appeals

Provision is made for the future settlement of appeals that have been lodged with the Valuation Office. The Council considers that the lodging of the appeal with the valuation office is the event that gives the legal or constructive obligation that will probably require financial settlement and further that a reliable estimate can be made based upon previous settled appeals.

A contingent liability is identified for unlogged appeals as though rates bills have been issued there has been no appeal received and the bills as presented to ratepayers are being paid. There is the potential for an obligation but there is no reliable way to measure this.

**e** Frequency of Valuations and Materiality for non-current assets

***Land and building category***

All property is valued in accordance with RICS valuation standards. In determining the programme of valuation work for each year the Council ensures that all assets which would fall outside of the five year time frame are captured for revaluation. In addition, the Council captures those assets where the valuations are based upon income particularly where it knows that the income may have been subject to fluctuations up or down. The valuers use their local knowledge of change - for example assets that would be impacted by residential market movements. At year end the valuers carry out an impairment review and at the same time ensure that there is no evidence that assets not valued within the class would have experienced material increases. The materiality level has been set at plus or minus 10%.

**Investment properties**

Investment properties reflect the market conditions at the end of the reporting period. A small number of investment properties are deminimus for valuation purposes and there is no expectation of any

change in their value. Where this is the case the valuers will not carry out a formal valuation annually but will review every five years and formally revalue if circumstances have changed.

The valuations are carried out as at December with a formal confirmation at 31<sup>st</sup> March that these valuations still reflect market conditions.

#### **4. Assumptions made about the future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account past experience, current trends and other relevant factors. Where estimates are made actual results could be materially different from the assumptions and estimates.

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

##### **Business Rates**

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. The Council's share of the balance of Business Rate appeals provisions at this date amounted to £5.6m.

##### **Valuation of Assets**

Assets are valued in line with Accounting Policy q. Asset values and remaining asset lives are provided by qualified valuation staff operating under Royal Institute of Chartered Surveyors (RICS) professional guidance. The current value in the Balance Sheet is £698m. The impact of errors on the valuation assumptions would flow through the Balance Sheet and would have no direct impact on the revenue account. Based on the experience of Council staff and the guidance under which they operate it is not anticipated that any variances will materially affect the accounts. An indices exercise has been conducted to ensure the assets are not materially different to Fair Value as at the Balance Sheet date.

##### **Pension Liability**

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

##### **Pension Assets**

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

##### **Debt Impairment**

At 31 March 2019, the Council had a balance of gross short term debtor's balance of £36.1m. A review of significant balances suggested that an impairment of doubtful debts of £7.9m was appropriate (this is included in the short term debtors to give a total balance of £28.2m). However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

##### **Government Funding**

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the

assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Local Government Reorganisation – Dorset**

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

#### **5. Events after the Balance Sheet Date**

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

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

#### **6. Adjustments between Accounting Basis and Funding Basis under Regulation**

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

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

##### **General Fund Balance**

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

##### **Housing Revenue Account Balance**

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

##### **Major Repairs Reserve**

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

##### **Capital Receipts Reserve**

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

##### **Capital Grants Unapplied**

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms

as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(11,795)	3,601	-	-	-	(8,194)	8,194	-
Movement in the Market Value of Investment Property	(268)	-	-	-	-	(268)	268	-
Amortisation of Intangible Assets	(518)	-	-	-	-	(518)	518	-
Capital Grants and Contributions Applied	13,078	-	-	-	-	13,078	(13,078)	-
Revenue Expenditure Funded from Capital under Statute	(3,498)	-	-	-	-	(3,498)	3,498	-
Grant Finance of Revenue Expenditure Funded from Capital	3,498	-	-	-	-	3,498	(3,498)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(4,013)	(1,772)	-	-	-	(5,784)	5,784	-
<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	1,039	-	-	-	-	1,039	(1,039)	-
Capital Expenditure charged against General Fund and HRA Balances	1,896	3,774	-	-	-	5,670	(5,670)	-
<b>Sub Total Carried overleaf</b>	<b>(580)</b>	<b>5,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,024</b>	<b>(5,024)</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Sub Total Bfwd from previous page</b>	(580)	5,604	-	-	-	5,024	(5,024)	-
<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	10,824	-	-	-	(10,824)	-	-	-
<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	-	1,772	-	(1,772)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	1,397	-	1,397	(1,397)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	260	-	260	(260)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	-	-	-	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(436)	-	-	436	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(24)	-	(24)	24	-
<b>Sub Total Carried overleaf</b>	<b>9,808</b>	<b>7,375</b>	<b>-</b>	<b>297</b>	<b>(10,824)</b>	<b>6,656</b>	<b>(6,656)</b>	<b>-</b>

6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Sub Total Bfwd from previous page</b>	9,808	7,375	-	297	(10,824)	6,656	(6,656)	-
<b><u>Adjustments Primarily Involving the Major Repairs Reserve:</u></b>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(4,968)	-	-	(4,968)	4,968	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	5,554	-	-	5,554	(5,554)	-
<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 Pensions Reserve:</u></b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(26,617)	-	-	-	-	(26,617)	26,617	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	11,754	-	-	-	-	11,754	(11,754)	-
<b>Sub Total Carried overleaf</b>	<b>(5,055)</b>	<b>7,375</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(7,621)</b>	<b>7,621</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2018/19

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(5,055)	7,375	586	297	(10,824)	(7,621)	7,621	-
<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	(846)	-	-	-	-	(846)	846	-
<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	203	-	-	-	-	203	(203)	-
<b><u>Adjustment Primarily Involving the Financial Instruments Revaluation Reserve</u></b>								
Financial Instruments	4					4	(4)	-
<b>Total of Adjustments Between Accounting Basis and Funding Basis under Regulations</b>	<b>(5,694)</b>	<b>7,375</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(8,260)</b>	<b>8,260</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(9,961)	4,412	-	-	-	(5,549)	5,549	-
Movement in the Market Value of Investment Property	700	-	-	-	-	700	(700)	-
Amortisation of Intangible Assets	(525)	-	-	-	-	(525)	525	-
Capital Grants and Contributions Applied	10,794	-	-	-	-	10,794	(10,794)	-
Revenue Expenditure Funded from Capital under Statute	(2,536)	-	-	-	-	(2,536)	2,536	-
Grant Finance of Revenue Expenditure Funded from Capital	2,453	-	-	-	-	2,453	(2,453)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(35,347)	(3,182)	-	-	-	(38,529)	38,529	-
<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	4,051	-	-	-	-	4,051	(4,051)	-
Capital Expenditure charged against General Fund and HRA Balances	4,827	3,958	-	-	-	8,785	(8,785)	-
<b>Sub Total Carried overleaf</b>	<b>(25,544)</b>	<b>5,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,356)</b>	<b>20,356</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Sub Total Bfwd from previous page</b>	<b>(25,544)</b>	<b>5,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,356)</b>	<b>20,356</b>	<b>-</b>
<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	(20)	-	-	-	20	-	-	-
<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	97	3,182	-	(3,279)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	1,384	-	1,384	(1,384)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	419	-	419	(419)	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(436)	-	-	436	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(24)	-	(24)	24	-
<b>Sub Total Carried overleaf</b>	<b>(25,903)</b>	<b>8,370</b>	<b>-</b>	<b>(1,064)</b>	<b>20</b>	<b>(18,577)</b>	<b>18,577</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Sub Total Bfwd from previous page</b>	<b>(25,903)</b>	<b>8,370</b>	<b>-</b>	<b>(1,064)</b>	<b>20</b>	<b>(18,577)</b>	<b>18,577</b>	<b>-</b>
<b><u>Adjustments Primarily Involving the Major Repairs Reserve:</u></b>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(4,950)	-	-	(4,950)	4,950	-
Excess Depreciation Charged to HRA	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	3,840	-	-	3,840	(3,840)	-
<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 Pensions Reserve:</u></b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,599)	-	-	-	-	(39,599)	39,599	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	12,220	-	-	-	-	12,220	(12,220)	-
<b>Sub Total Carried overleaf</b>	<b>(53,282)</b>	<b>8,370</b>	<b>(1,109)</b>	<b>(1,064)</b>	<b>20</b>	<b>(47,065)</b>	<b>47,065</b>	<b>-</b>

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation 2017/18

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(53,282)	8,370	(1,109)	(1,064)	20	(47,065)	47,065	-
<b><u>Adjustments Primarily involving the Collection Fund</u></b>								
<b><u>Adjustment Account:</u></b>								
Amount by which Council Tax income adjustment is different from amount taken to general fund in accordance with regulation	383	-	-	-	-	383	(383)	-
Amount by which Non domestic rates income adjustment is different from amount taken to general fund in accordance with regulation	-	-	-	-	-	-	-	-
<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	266	-	-	-	-	266	(266)	-
<b>Total of Adjustments Between Accounting Basis and Funding Basis under Regulations</b>	<b>(52,634)</b>	<b>8,370</b>	<b>(1,109)</b>	<b>(1,064)</b>	<b>20</b>	<b>(46,416)</b>	<b>46,416</b>	<b>-</b>

## 7. Transfers to/from Earmarked Reserves

	Balance as at 31 March 2017 £000	Transfers Out and (In) 2017/18 £000	Balance as at 31 March 2018 £000	Transfers Out and (In) 2018/19 £000	Balance as at 31 March 2019 £000
<b>General Fund Earmarked Reserves</b>					
Reserves held to support partnership work with schools and other stakeholders					
Schools Block	(750)	54	(696)	(690)	(1,386)
Other Stakeholders	(548)	(674)	(1,222)	(812)	(2,034)
<b>Reserves held to support the council's medium term financial plan</b>					
Reorganisation Fund	(2,702)	0	(2,702)	(674)	(3,376)
Financial Planning *	(4,760)	2,057	(2,703)	0	(2,703)
Revenue Funding Capital Reserve	0	(2,000)	(2,000)	(1,461)	(3,461)
Additional Reserves Supporting the Medium Term Financial Plan	(2,231)	3	(2,228)	(3,189)	(5,417)
Supporting Council Priorities and Programmes	(1,838)	(232)	(2,070)	105	(1,965)
Planning Related Reserves	(598)	38	(560)	60	(500)
Building Regulation Account	(76)	36	(40)	(51)	(91)
Grant related	(1,186)	(528)	(1,714)	(1,686)	(3,400)
<b>Total Earmarked Reserves for revenue purposes</b>	<b>(14,689)</b>	<b>(1,246)</b>	<b>(15,935)</b>	<b>(8,399)</b>	<b>(24,334)</b>
Capital Fund	(12,600)	2,278	(10,322)	269	(10,053)
Capital Fund Schools	(81)	46	(35)	(20)	(55)
<b>Total Earmarked Reserves for capital purposes</b>	<b>(12,681)</b>	<b>2,324</b>	<b>(10,357)</b>	<b>249</b>	<b>(10,108)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(27,370)</b>	<b>1,078</b>	<b>(26,292)</b>	<b>(8,150)</b>	<b>(34,442)</b>

## 8. Other Operating Expenditure

	2018/19 £'000	2017/18 £'000
Disposal of non current assets	5,784	38,530
Sales Proceeds	(1,772)	(3,278)
Precept Environment Agency Levy	203	199
Contribution of housing capital receipts to Government Pool	436	436
Pensions fund administration expenses	329	272
<b>Total</b>	<b>4,980</b>	<b>36,158</b>

## 9. Financing and Investment Income and Expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	3,073	3,088
Interest receivable	(355)	(270)
Net Income and expenditure in relation to investment properties and changes in their fair value	(2,018)	(2,505)
Net interest on the defined benefit liability / (asset)	6,720	7,546
<b>Total</b>	<b>7,420</b>	<b>7,859</b>

## 10. Taxation and Non-Specific Grant Income

	2018/19 £'000	2017/18 £'000
General government grants non ringfenced	(6,465)	(10,331)
Income from Council Tax	(80,328)	(75,118)
Income from Localised Business Rates	(14,014)	(15,605)
Capital grants and contributions	(23,902)	(12,793)
<b>Total</b>	<b>(124,709)</b>	<b>(113,847)</b>

## 11. Property, Plant and Equipment

The following statement shows the progress of the Council's rolling programme for the revaluation of PPE assets. The valuations have been performed by NPS and Sibbert Gregory. All valuations are carried out in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) as set out within the RICS 'red book'. Fair value is defined as "The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm's length transaction". The Council has adopted a valuation date of 31st March.

Under the Code, the application of Fair Value is subject to specific additional conditions, depending on the categorisation of the asset. The valuation of each property is on the bases of value and assumptions:

- Owner occupied property: valued to Existing Use Value (EUUV) assuming that the property would be sold as part of a continuing business;
- Investment property: valued to Market Value (MV) assuming that the property would be sold subject to any leases.

The land and building elements of property are valued in accordance with IAS 16 and specifically IFRS 13 for Surplus Property sub classified as:

Operational Non- specialised	Current value - Existing Use Value (EUUV)
Operational Specialised	Current value - Depreciated Replacement Cost (if not market evidence available)
Surplus Property	Fair Value – market value
Non current assets Held for Sale	The lower of Market value (less costs to sell) and carrying value

The Valuer's opinion of Fair Value has been derived where possible from recent comparable market transactions on arm's length terms or income capitalisation, where appropriate. Where a property is deemed 'specialised' i.e. 'real property that is, rarely if ever sold in the market, except by way of a sale of

the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise', there will be no market-based evidence and therefore Fair Value has been estimated using a Depreciated Replacement Cost (DRC) approach. In determining Gross Replacement Cost (GRC) for DRC valuations the valuers have where possible obtained recent cost information from building and quantity surveyors and used Building Cost Information Service of RICS (BCIS) quarterly review data.

The valuation of Council Housing Stock is Existing Use Value for Social Housing which for 2018/19 is 35% of EUV. The valuation date used is 31 March e.g. 2018/19 accounts will have values as at 31 March 2019. (The EUV for 2017/18 was 35%). This discount has been applied to the housing assets but, in accordance with the guidance no discount is applied to hotels and non housing assets.

Revaluation history of Property, Plant and Equipment is :-

	<b>£000</b>
Historic	169,721
2014/15	22,802
2015/16	7,284
2016/17	18,954
2017/18	9,371
2018/19	<u>433,851</u>
	<u><b>661,983</b></u>

In complying with International Accounting Standard IAS16 Property, Plant and Equipment (PPE) the Council is required to ensure that where assets are re-valued (i.e. the carrying amount is based on fair value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

This is essentially the same as for all balance sheet transactions that is that the measurement for any balance sheet transaction should be materially accurate.

IAS16 also comments on the revaluation frequency and states that "some items of property, plant and equipment experience significant and volatile changes in current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of PPE with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years."

This Council revalues Council Dwellings as at 31st March. This is to ensure that any volatility within the housing market is captured as at the year end.

Other current value PPE items are within a maximum five year rolling programme. It is considered that the items within this rolling programme tend to have insignificant changes in current value to the extent that their revaluation more frequently would not result in materially different values on the Balance Sheet.

The Council has moved the valuation date to 31st December to ensure that the valuations done are as current as is possible. The Council's property department reviews all assets as part of an annual programme. Indices are used to determine whether any significant movement in assets has occurred during the period. This exercise informs the Council's decision on which assets require a full valuation in the year and ensures that the current value of assets not subject to revaluation is not materially different from the carrying value.

In considering materiality, the Council is of a view that for the majority of non-current assets that are being used for service provision, that is those that are within the Land and Buildings category, that users of the accounts would be unlikely to make different decisions relating to the Council or come to different conclusions about the standards of stewardship if the assets were valued more frequently.

#### Land and buildings transferred to academy status and foundation status

The Balance sheet for 31 March 2019 has been adjusted to reflect one school that went to Academy status throughout 2018/19. The approximate Net Book Value (NBV) for this school was £3.86m.

## Property, Plant and Equipment – 2018/19

	Housing Revenue Account £000's	Other Land & Buildings £000's	Surplus & Vacant Assets £000's	Total Other Land & Buildings £000's	Vehicles Plant Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Assets Under Construction £000's	TOTAL PPE £000's
Gross book value as at 31 March 2018	278,387	195,415	5,449	200,864	20,760	4,965	181,804	2,758	689,538
Accumulated depreciation as at 31 March 2018	(628)	(3,242)	-	(3,242)	(10,293)	-	(44,958)	-	(59,121)
<b>Opening Net book value as at 1 April 2018</b>	<b>277,759</b>	<b>192,173</b>	<b>5,449</b>	<b>197,622</b>	<b>10,467</b>	<b>4,965</b>	<b>136,846</b>	<b>2,758</b>	<b>630,417</b>
Gross book value as at 31 March 2018	278,387	195,415	5,449	200,864	20,760	4,965	181,804	2,758	689,538
Additions / enhancements	10,735	9,688	-	9,688	1,212	1,276	9,496	29	32,437
Derecognition - Disposals	(1,772)	(4,085)	-	(4,085)	-	-	-	-	(5,857)
Derecognition - Other									-
Reclassification within PPE	(3,542)	3,460	-	3,460	-	177	-	(94)	0
Reclassification outside PPE		5,684	-	5,684	-	-	-	-	5,684
Revaluations increases/(decreases) in the reval rsw	1,976	6,060	10	6,070	-	-	-	-	8,046
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	(443)	(1,823)	(40)	(1,863)	-	-	-	-	(2,306)
<b>Gross book value as at 31 March 2019</b>	<b>285,341</b>	<b>214,399</b>	<b>5,419</b>	<b>219,818</b>	<b>21,972</b>	<b>6,418</b>	<b>191,300</b>	<b>2,693</b>	<b>727,542</b>
Accumulated depreciation as at 31 March 2018	(628)	(3,242)	-	(3,242)	(10,293)	-	(44,958)	-	(59,121)
Depreciation for Year	(4,968)	(4,218)	-	(4,218)	(2,698)	-	(4,131)	-	(16,015)
Derecognition - Disposals		73	-	73	1	-	-	-	75
Derecognition - Other									-
Reclassifications		-	-	-	-	-	-	-	-
Revaluations increases/(decreases) in the reval rsw	626	3,758	-	3,758	-	-	-	-	4,384
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4,043	1,076	-	1,076	-	-	-	-	5,119
<b>Accumulated Depreciation as at 31 March 2019</b>	<b>(927)</b>	<b>(2,553)</b>	<b>-</b>	<b>(2,553)</b>	<b>(12,989)</b>	<b>-</b>	<b>(49,089)</b>	<b>0</b>	<b>(65,558)</b>
<b>Closing Net book value as at 31 March 2019</b>	<b>284,414</b>	<b>211,846</b>	<b>5,419</b>	<b>217,265</b>	<b>8,983</b>	<b>6,418</b>	<b>142,211</b>	<b>2,693</b>	<b>661,983</b>

## Property, Plant and Equipment – 2017/18

	Housing Revenue Account £000's	Other Land & Buildings £000's	Surplus & Vacant Assets £000's	Total Other Land & Buildings £000's	Vehicles Plant Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Assets Under Construction £000's	TOTAL PPE £000's
Gross book value as at 31 March 2017	269,701	215,331	3,743	219,074	20,487	4,701	167,299	4,890	686,151
Accumulated depreciation as at 31 March 2017	(457)	(5,111)	0	(5,111)	(8,722)	-	(41,127)	-	(55,417)
<b>Opening Net book value as at 1 April 2017</b>	<b>269,244</b>	<b>210,220</b>	<b>3,743</b>	<b>213,963</b>	<b>11,765</b>	<b>4,701</b>	<b>126,172</b>	<b>4,890</b>	<b>630,734</b>
Gross book value as at 31 March 2017	269,701	215,331	3,743	219,074	20,487	4,701	167,299	4,890	686,151
Additions / enhancements	9,183	2,309	-	2,309	1,375	265	14,505	2,189	29,826
Derecognition - Disposals	(2,494)	(36,107)	(58)	(36,165)	(188)	-	-	-	(38,848)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Reclassification	-	0	560	560	-	-	-	(560)	0
Reclassification to Held for Sale & AUC	-	4,180	-	4,180	-	-	-	(3,761)	419
Revaluations increases/(decreases) in the reval rsw	1,974	10,444	1,214	11,658	-	-	-	-	13,632
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4	(742)	(10)	(752)	-	-	-	-	(748)
<b>Gross book value as at 31 March 2018</b>	<b>278,368</b>	<b>195,415</b>	<b>5,449</b>	<b>200,864</b>	<b>21,673</b>	<b>4,965</b>	<b>181,804</b>	<b>2,758</b>	<b>690,432</b>
Accumulated depreciation as at 31 March 2017	(457)	(5,111)	0	(5,111)	(8,722)	-	(41,127)	-	(55,417)
Depreciation for Year	(4,950)	(5,335)	(6)	(5,341)	(2,604)	-	(3,831)	-	(16,726)
Derecognition - Disposals	-	1,175	-	1,175	120	-	-	-	1,294
Derecognition - Other	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations increases/(decreases) in the reval rsw	617	3,759	6	3,764	-	-	-	-	4,381
Revaluation increases/(decreases) recognised in surplus deficit Cl&E (Impairments)	4,182	2,271	-	2,271	-	-	-	-	6,453
<b>Accumulated Depreciation as at 31 March 2018</b>	<b>(608)</b>	<b>(3,242)</b>	<b>-</b>	<b>(3,242)</b>	<b>(11,206)</b>	<b>-</b>	<b>(44,958)</b>	<b>0</b>	<b>(60,014)</b>
<b>Closing Net book value as at 31 March 2018</b>	<b>277,760</b>	<b>192,173</b>	<b>5,449</b>	<b>197,622</b>	<b>10,467</b>	<b>4,965</b>	<b>136,846</b>	<b>2,758</b>	<b>630,418</b>

## 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:

<b>As at 31 March 2018 £'000</b>		<b>As at 31 March 2019 £'000</b>
6,800	<b>Schools and Education Projects</b>	3,954
1,547	<b>Council Housing Improvements</b>	3,900
7,763	<b>Care Projects</b>	423
87	<b>Renovation and Disabled Facilities Grants</b>	167
336	<b>Refuse and Recycling Vehicles</b>	427
196	<b>Corporate Assets</b>	150
984	<b>Transportation Projects</b>	1,473
391	<b>Coast Protection</b>	0
<b>18,104</b>	<b>Total Significant Capital Commitments</b>	<b>10,494</b>

## 12. Valuation information Surplus Asset and Investment Property

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

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

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

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

### Valuation techniques used to determine level 2 fair values

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

### Valuation techniques used to determine level 3 fair values

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

Approximately 83% of such assets have been determined as level 2, 17% level 3.

### Investment Properties

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(2,683)	(2,337)
Direct operating expenses arising from investment property	397	533
(Increase)/reduction in fair value of investment property	268	(700)
<b>Net (gain) / loss</b>	<b>(2,018)</b>	<b>(2,504)</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>36,885</b>	<b>36,604</b>
Reclassification	(5,684)	(419)
Additions	-	-
Disposal	-	-
Revaluations /(impairments)	(267)	700
<b>Balance Carried Forward 31 March</b>	<b>30,934</b>	<b>36,885</b>

All Investment Properties have been valued as at 31 December 2018.

### 13. Debtors

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Related to Collection Fund agency Arrangement :-		
- Council tax	3,761	3,241
- Non Domestic Rates (NDR)	712	580
HM Revenue and Customs	1,946	931
Payments in advance	3,649	1,906
Sundry Revenue Debtors	14,201	10,772
Housing - rents and rechargeable	395	352
Government Department	798	1,375
Other Local Authorities	7,060	6,832
Health Bodies	456	200
Debtors relating to Capital Scheme	3,131	723
Impairment (Provision for Bad Debts)	(7,893)	(7,562)
<b>Total Debtors</b>	<b>28,216</b>	<b>19,351</b>

### 14. Cash and Cash Equivalents

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>restated £'000</b>
Cash held by the Council	182	151
Bank current account	(4,555)	(5,095)
Instant Access Accounts	735	775
<b>Total Cash and Cash Equivalents</b>	<b>(3,638)</b>	<b>(4,169)</b>

The Council has changed its policy in respect of cash and cash equivalents with the introduction of International Financial Reporting Standard 9 which relates to financial instruments. Part of the effect of this is to designate most instant access accounts and cash plus funds as financial assets at fair value. The comparator figure for 2017/18 in the above table now excludes £20m of cash plus funds and £2.15m of instant access accounts from those reported previously. The funds which have been reclassified are now shown as investments and are held at fair value.

The Cash and Cash equivalents figures for 2017/18 have been restated due to a reclassification of items to short term investments. The impact of reclassification has meant a number of statements throughout the accounts have been restated.

## 15. Creditors

	2018/19 £'000	2017/18 £'000
Related to Collection Fund agency Arrangement :-		
- Council tax	(832)	(1,260)
- Non Domestic Rates (NDR)	(436)	(465)
- Owed to Preceptors	-	(2)
NNDR localism	(7,639)	(4,909)
HM Revenue and Customs	(1,411)	(1,286)
Receipts in advance	(4,561)	(5,084)
Sundry Revenue Creditors	(9,161)	(10,808)
Accumulated absences staff	(944)	(1,147)
Government Department	(2,230)	(1,791)
Other Local Authorities	(4,237)	(5,598)
Health Bodies	(77)	(116)
Creditors relating to Capital Scheme	(4,332)	(6,177)
Depositors	(3,482)	(3,019)
<b>Total Creditors</b>	<b>(39,342)</b>	<b>(41,662)</b>

## 16. Provisions

	Balance at 31 March 2018 £000's	Contribution (From) / to GF / HRA £000's	Applied in Year £000's	Balance at 31 March 2019 £000's
Insurance Provisions	(1,094)	-	-	(1,094)
Ordinary Residence Liability	(365)	(90)	-	(455)
Contract termination	(520)	-	202	(318)
Non Domestic Rating appeals	(2,237)	(3,716)	383	(5,570)
Housing Providers handback	(56)	-	-	(56)
Strategic Asset Management	(741)	-	-	(741)
HMRC Subcontracting VAT	(112)	112	-	-
Treatment	-	-	-	-
West Devon Payments without prejudice	(699)	699	-	-
Funded out of Hospital	-	(34)	-	(34)
<b>Total</b>	<b>(5,824)</b>	<b>(3,029)</b>	<b>585</b>	<b>(8,268)</b>

### Insurance Provisions

Part of the insurance provision relates to historic liabilities arising from the council's interest in Municipal Mutual Insurance (MMI). The Council is a participant of a 'Scheme of Arrangement' and its potential liability is assessed every six months. In November 2012 the Council received a letter from Municipal Mutual which has triggered the scheme of arrangement. The final liability of the Council is yet to be determined though it is expected that the provision made will be sufficient.

In addition an amount has been set aside in relation to a potential claim against the Council in relation to damages caused to a third parties property.

### Ordinary residence liability

Ordinary residence is the mechanism that local authorities use to decide which local authority should fund an individual's care. This liability relates to ongoing ordinary residence disputes with other local authorities where social care for a number of clients has been funded by another local authority who are claiming that the clients' funding should be the responsibility of the Borough of Poole. This provision allows for reimbursement to be made to others.

### Contract termination

Claim from termination of a social care provider contract.

### Non domestic rating appeals

This relates to the Council share of estimated liability in relation to appeals with the valuation office, which, if successful may result in a refund to individual local businesses.

### Housing Providers handback

This is required to ensure that the Council has funds to cover its liability in relation to covering the costs of handing back property used for temporary accommodation to owners/landlords in the condition in which it was received.

### Strategic Asset Management

- £475K: Lessee overpaid lease charges in respect of the Dolphin Centre. The provision relates to the potential liability for payback.
- £245k: Obligation to pay landlord maintenance costs in respect of small holdings on the Upton Farm site.
- £21K: Lessee overpaid lease charges in respect of the Falkland Square. The provision relates to the potential liability for payback.

### Funded Out of Hospital

This provision is for the disputed FOH (Funded Out of Hospital) client costs Poole were billed for. ASC Service Manager disputed the calculations pointing out multiple errors on NHS side and suggested we provide for 80% of the invoice value. I have a statement of outstanding invoices from NHS.

Funding out of hospital is for patients who lose Continuous Healthcare status and don't qualify for free NHS care anymore. Instead LA's are to take over the cases and provide social care. Meanwhile hospitals continue to pay for care until the handover and bill LA's once this happens.

## 17. Usable Reserves

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
General Fund	(6,252)	(6,252)
School Balances	(1,505)	(1,384)
Housing Revenue Account	(580)	(580)
Earmarked Reserves	(34,442)	(26,292)
Major Repairs Reserve	(11,165)	(11,751)
Usable Capital Receipts	(5,701)	(5,998)
Capital Grants Unapplied	(10,851)	(27)
<b>Total Usable Reserves</b>	<b>(70,496)</b>	<b>(52,284)</b>

## 18. Unusable Reserves

	2018/19 £'000	2017/18 £'000
Revaluation Reserve	(90,142)	(79,866)
Capital Adjustment Account	(448,688)	(438,802)
Deferred Capital Receipts Reserve	(219)	(244)
Pensions Reserve	269,180	270,906
Accumulated Absences Account	944	1,147
Collection Fund Adjustment Account	(2,191)	(3,037)
Pooled Investments Adjustment Account	(4)	-
<b>Total Unusable Reserves</b>	<b>(271,120)</b>	<b>(249,896)</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.

	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>(79,866)</b>	<b>(75,778)</b>
Upward revaluation of assets	(13,885)	(18,222)
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on Provision of Services	990	460
<b>Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(12,895)</b>	<b>(17,762)</b>
Difference between fair value depreciation and historic cost depreciation	2,619	1,498
Accumulated (gains) and losses on assets sold or scrapped	-	12,176
<b>Amount Written off to the Capital Adjustment Account</b>	<b>2,619</b>	<b>13,674</b>
<b>Balance at 31 March</b>	<b>(90,142)</b>	<b>(79,866)</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>(438,802)</b>	<b>(444,792)</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	11,795	9,961
Depreciation of HRA Non-Current Assets to Major Repairs Reserve	1,367	4,950
Amortisation of Intangible Assets	518	525
Revenue Expenditure Funded from Capital under Statute	3,498	2,536
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	5,784	34,118
	<b>22,962</b>	<b>52,090</b>
Adjusting amounts written out of the Revaluation Reserve	(2,619)	(13,674)
Net written out amount of the cost of Non-Current Assets consumed in the year	<b>20,343</b>	<b>38,416</b>
<b>Capital Financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(1,397)	(1,803)
Use of the Major Repairs Reserve to finance new Capital Expenditure	(5,554)	(3,840)
Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(13,078)	(10,794)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(3,498)	(2,453)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	-	-
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(1,039)	(4,051)
Capital Expenditure Charged against the General Fund and HRA Balances	(5,671)	(8,785)
	<b>(30,237)</b>	<b>(31,726)</b>
HRA receipts associated debt set aside	(260)	-
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	268	(700)
<b>Balance at 31 March</b>	<b>(448,688)</b>	<b>(438,802)</b>

### Deferred Capital Receipts Reserve

These are amounts receivable in respect of the sale of assets where the monies due will be received in instalments over an agreed period of time. It relates to a proportion of outstanding principal on loans made to Dorset Police by Dorset County Council prior to reorganisation.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Balance b/fwd as at 1 April	(243)	(267)
Receipts released to capital receipts reserve upon receipt	24	24
<b>Total Deferred Capital Receipts</b>	<b>(219)</b>	<b>(243)</b>

### Pension Reserve

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

The figures presented below include the local government scheme and the teacher's pension scheme.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>270,906</b>	<b>285,879</b>
Remeasurements of the net defined benefit liability	(11,480)	(42,352)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	26,617	39,599
Employer's pension contributions and direct payments to pensioners payable in the year	(11,754)	(12,220)
<b>Balance at 31 March</b>	<b>274,289</b>	<b>270,906</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.

	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>1,147</b>	<b>1,413</b>
Settlement of cancellation of accrual made at the end of the preceding year	(1,147)	(1,413)
Amounts accrued at end of current year	944	1,147
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	<b>(203)</b>	<b>(266)</b>
<b>Balance at 31 March</b>	<b>944</b>	<b>1,147</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.

	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>(3,037)</b>	<b>(2,654)</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	(846)	(383)
<b>Balance at 31 March</b>	<b>(2,191)</b>	<b>(3,037)</b>

### 19. Usable Capital Receipts

Any balance at the end of the year on the Usable Capital Receipts Reserve represents the Capital Receipts available to finance expenditure in future years.

	2018/19 £'000	2017/18 £'000
Balance b/fwd as at 1 April	(5,997)	(4,934)
Total in year Capital Receipts from asset sales	(1,772)	(3,279)
Previously deferred receipts now usable	(24)	(24)
Paid to DCLG under Pooling arrangements	435	436
HRA receipts associated debt set aside to Capital Adjustment Account	260	419
Capital Receipts used for Financing capital schemes	1,397	1,384
<b>Total Unusable Capital Receipts</b>	<b>(5,701)</b>	<b>(5,997)</b>

## 20. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	<b>2018/19</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
Interest received	(371)	(211)
Interest paid	3,073	2,990

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

	<b>2018/19</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
Depreciation and Impairment	8,194	14,912
Amortisation	518	525
Movements in the market value of investment properties	268	(700)
Movements in pension liabilities	14,863	27,379
Increase / (decrease) in creditors	(2,473)	2,692
(Increase) / decrease in debtors	(6,227)	698
(Increase) / decrease in provisions	2,448	1,047
(Increase) / decrease in inventories	(183)	(5)
Carrying amount of non current assets sold	5,784	34,117
	<b>23,192</b>	<b>80,665</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>£'000</b>	<b>2017/18</b> <b>£'000</b>
Net Costs of non current assets sold or decommissioned	(1,771)	(3,279)
Grants Received toward funding capital expenditure	(27,400)	(15,267)
Net adjustment from the sale of short and long term investments	4,478	8,119
	<b>(24,693)</b>	<b>(10,427)</b>

## 21. Cash Flow Statement – Investing Activities

	<b>2018/19</b> <b>£'000</b>	<b>Restated</b> <b>2017/18</b> <b>£'000</b>
Purchase of property, plant & equipment, investment property and intangible assets	(29,322)	(18,294)
Purchase of short-term and long-term investments	-	(27,510)
Proceeds from sale of property, plant & equipment, investment property and intangible assets	1,796	3,303
Proceeds from short-term and long-term investments	-	8,119
Other receipts from investing activities	18,709	1,612
<b>Net cash flows from investing activities</b>	<b>(8,817)</b>	<b>(10,260)</b>

## 22. Cash Flow Statement – Financing Activities

	<b>2018/19</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
Cash receipts of short and long-term borrowing	-	640

Non Domestic Rates and Council tax preceptors increase/(decrease)	1,998	2,320
Repayments of short and long-term borrowing	(1,100)	(1,092)
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>898</b>	<b>1,868</b>

### 23. Members' Allowances

The basic allowance is a flat rate allowance paid at the same rate to all members. The special responsibility allowance is additional to reflect significant responsibilities that a member may have e.g. Leader, Chairman, membership of Cabinet.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Basic Allowance	405	403
Special Responsibility Allowance	153	148
Travel & Subsistence	2	2
<b>Total allowances paid</b>	<b>560</b>	<b>553</b>

### 24. Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, but including redundancies as £50k or more in bands of £5k were:

Remuneration Band in £'s	Number of employees		Number of employees	
	Non Schools	Schools	Non Schools	Schools
	2017/18	2017/18	2018/19	2018/19
50,000 - 54,999	25	5	29	4
55,000 - 59,999	7	4	18	7
60,000 - 64,999	5	3	6	2
65,000 - 69,999	3	2	5	3
70,000 - 74,999	2	0	3	2
75,000 - 79,999	1	1	1	1
80,000 - 84,999	3	1	2	2
85,000 - 89,999	2	0	1	0
90,000 - 94,999	2	0	3	0
95,000 - 99,999	0	0	0	0
100,000 - 104,999	3	1	1	0
105,000 - 109,999	0	0	1	1
110,000 - 114,999	1	0	0	0
115,000 - 119,999	0	0	1	0
120,000 - 124,999	1	0	1	0
195,000 - 199,999	0	0	1	0
	<b>55</b>	<b>17</b>	<b>73</b>	<b>22</b>

## 24. Employee Remuneration – 2018/19

		Remuneration Salary (including supplements)	Expense Allowances	Compensation for Loss of Office	Employers Pension Contributions	Total payments including Pension Contributions
		2018/19	2018/19	2018/19	2018/19	2018/19
		£	£	£	£	£
Chief Executive		127,196	564	69,604	20,606	217,970
Strategic Director - Corporate Services	Note 1	118,664	0	0	19,223	137,887
Strategic Director - Place		105,399	281	0	17,075	122,755
Strategic Director - People		121,066	9	0	0	121,075
Service Unit Head - Financial Services	Note 1	104,579	441	0	16,942	121,962
Service Unit Head - Commissioning & Improvement Services and Housing & Community Services		93,603	580	0	15,164	109,347
Service Unit Head - Adult Social Care Services	Note 1	93,896	122	0	15,211	109,229
Service Unit Head - ICT Services	Note 1	92,952	0	0	15,058	108,010
Service Unit Head - Children, Young People & Learning Services		87,248	0	0	18,351	105,599
Service Unit Head - Growth & Infrastructure Services		84,658	1,393	0	13,714	99,765
Service Unit Head - Culture & Community Services		73,191	763	0	11,857	85,811
<b>Totals</b>		<b>1,102,452</b>	<b>4,153</b>	<b>69,604</b>	<b>163,201</b>	<b>1,339,410</b>

Where joint services are operating a post will have an 'employing authority' and the full costs of such posts are shared.

**Note 1** Poole is the employing authority for the Strategic Director - Corporate Services and Service Unit Heads for Financial, ICT and Adult Social Services, hence the full costs are shown above. Corporate Services encompasses responsibility for Business Improvement Theme Services

**Note 2** There is a joint interim arrangement has been made to cover previous post of Service Unit head Environmental Services with two existing employees acting up for which an allowance is paid.

**Note 3** The Service Unit Head posts for Legal, Democratic & Strategy Services and Human Resources are now shared with Bournemouth Borough Council as part of joint service arrangement. These costs are not shown in the above table but are within the Comprehensive Income and Expenditure Statement. The individuals are employed directly by Bournemouth Borough Council and disclosed in their accounts so are excluded from this note. The Head of Legal, Democratic & Strategic Services costs are £120k, the appropriate share is recharged to this Council, including national insurance plus pension. The Head of Human Resources costs amount to £104k, the appropriate share is recharged to this Council, including national insurance plus pension.

**Note 4** Children and Young People Social Care is now being covered by an Interim worker paid through an Agency. The costs amounts to £141k during 2018/19 - these costs are not included above.

## 24. Employee Remuneration – continued 2017/18

		Remuneration Salary (including supplements) 2017/18	Expense Allowances 2017/18	Compensation for Loss of Office 2017/18	Employers Pension Contributions 2017/18	Total payments including Pension Contributions 2017/18
		£	£	£	£	£
Chief Executive		120,823	0	0	19,573	140,396
Strategic Director - People		101,287	0	0	0	101,287
Strategic Director - Place		101,860	0	0	16,766	118,626
Strategic Director - Corporate Services	Note 1	113,120	0	0	18,325	131,445
Service Unit Head - Financial Services	Note 1	102,541	0	0	16,612	119,153
Service Unit Head - Adult Social Care Services	Note 1	93,078	0	0	15,079	108,157
Service Unit Head - Commissioning & Improvement Services and Housing & Community Services		92,573	0	0	14,997	107,570
Service Unit Head - Children, Young People & Learning Services		85,550	0	0	17,538	103,088
Service Unit Head - ICT Services	Note 1	82,170	0	0	13,312	95,482
Service Unit Head - Growth & Infrastructure Services		80,692	0	0	13,072	93,764
Service Unit Head - Culture & Community Services		70,703	0	0	11,454	82,157
Service Unit Head - Environmental Services	Note 2	33,090	0	55,434	5,360	93,884
Service Unit Head - Legal, Democratic & Strategy Services	Note 3	6,917	0	0	1,121	8,038
Service Unit Head - Human Resources	Note 3	0	0	0	0	0
Service Unit Head - Children & Young People Social Care Services	Note 4	0	0	0	0	0
<b>Totals</b>		<b>1,084,404</b>	<b>0</b>	<b>55,434</b>	<b>163,209</b>	<b>1,303,047</b>

Where joint services are operating a post will have an 'employing authority' and the full costs of such posts are shared.

**Note 1** Poole is the employing authority for the Strategic Director - Corporate Services and Service Unit Heads for Financial, ICT and Adult Social Services, hence the full costs are shown above. Corporate Services encompasses responsibility for Business Improvement Theme Services

**Note 2** Service Unit Head - Environmental Consumer Protection left the authority 30th September 2017. Joint interim arrangement has been made to cover this post with two existing employees acting up for which an allowance is paid.

**Note 3** Service Unit Head - Legal, Democratic & Strategy Services left the authority 30th April 2017. The Service Unit Head posts for Legal, Democratic & Strategy Services and Human Resources are now shared with Bournemouth Borough Council as part of joint service arrangement. These costs are not shown in the above table but are within the Comprehensive Income and Expenditure Statement. Employed directly by Bournemouth Borough Council and disclosed in their accounts so are excluded from this note. The Head of Legal, Democratic & Strategic Services salary is £101k, the appropriate share is recharged to this Council, including national insurance plus pension. The Head of Human Resources salary is £82k, the appropriate share is recharged to this Council, including national insurance plus pension.

**Note 4** Children and Young People Social Care is now being covered by an interim worker paid through an Agency. The costs amounts to £132k during 2018/19 - these costs are not included above.

## 25. Termination benefits and exit packages

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £298k (2017/18: £2,552k) including any payments in lieu of notice. This payment was in respect of 108 officers and school staff including those who were made redundant as part of the Council's continued rationalisation of services.

Exit Package Cost bands (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band  £'000
<b><u>2018/19</u></b>				
£0 - £20,000	3	21	24	185
£20,001 - £40,000	-	2	2	43
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	70
<b>Totals for 2018/19</b>	<b>4</b>	<b>23</b>	<b>27</b>	<b>298</b>
<b><u>2017/18</u></b>				
£0 - £20,000	16	51	67	599
£20,001 - £40,000	2	17	19	491
£40,001 - £60,000	-	11	11	551
£60,001 - £80,000	-	6	6	428
£80,001 - £100,000	1	2	3	264
£100,001 - £120,000	-	2	2	219
<b>Totals for 2017/18</b>	<b>19</b>	<b>89</b>	<b>108</b>	<b>2,552</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 has also been recharged to the Borough of Poole at a cost of £184k as part of the sharing of Local Government Reorganisation costs. This amount is not included in the note above but included in the authorities Income and Expenditure statement.

## 26. External Audit Costs

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

	2018/19 £'000	2017/18 £'000
Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year	73	94
Fees payable to External Auditors for the certification of Grant Claims and Returns for the year	20	17
<b>Total</b>	<b>93</b>	<b>111</b>

## 27. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resource.

	Central Expenditure £000's	Individual Schools Budgets £000's	Total £000's
<b>DSG budgeted for 2018/19</b>			97,318
Less academy figure recouped for 2018/19*			(62,482)
<b>Total DSG after academy recoupment for 2018/19</b>			<b>34,836</b>
Plus: brought forward from 2017/18			564
Less: carried forward to 2019/20 agreed in advance			(564)
<b>Agreed initial budgeted distribution in 2018/19</b>	<b>13,180</b>	<b>21,656</b>	<b>34,836</b>
In year adjustments	294	902	1,196
<b>Final budgeted distribution 2018/19</b>	<b>13,474</b>	<b>22,558</b>	<b>36,032</b>
Less: actual central expenditure	12,934		12,934
Less: actual ISB deployed to schools & early years providers		22,408	22,408
Plus local authority contribution for 2018/19	0	0	0
<b>Carry forward to 2019/20</b>	<b>540</b>	<b>150</b>	<b>1,254</b>

\* Includes Early Years estimated adjustment, additional High Needs block allocation and accruals for 18/19 business rates and pupil growth recouped by the EFA.

## 28. Grant Income

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

<b>Credited to Taxation and Non Specific Grant Income</b>	
<b>2017/18</b>	<b>2018/19</b>
<b>£000's</b>	<b>£000's</b>
(4,878) General government grants (Revenue Support Grant)	(1,725)
(15) Local Services Support Grant	(17)
0 Section 31 Grants	0
(2,418) NDR Compensation for government initiatives	(2,946)
(2,158) New Homes Bonus Grant	(1,777)
(862) Transitional Support Scheme Grant	0
<b>(10,331) Total General Government grants (non specific)</b>	<b>(6,465)</b>
(74,435) Precept demanded from Collection Fund	(80,035)
(942) Declared surplus/deficit 15 January purposes	(1,046)
258 Actual surplus/deficit	753
<b>(75,119) Total Income from Council Tax</b>	<b>(80,328)</b>
(27,960) Precept demanded from Collection Fund	(27,332)
(1,159) Declared surplus/deficit 15 January purposes	0
(641) Actual surplus/deficit	93
13,089 Tariff payment to Central Government	13,116
1,066 Levy payable to Central Government	109
<b>(15,605) Total Income and Expenditure from Localised Non Domestic Rates</b>	<b>(14,014)</b>
(59) Devolved Formula Capital Grant	(174)
(149) Schools Capital Grants	(1,049)
(9,461) Local Transport Plan, Maintenance, Sustainable Transport, Bus Fund	(9,063)
(140) Coastal Protection	(694)
0 Heritage Lottery	(801)
(2,817) Developer contributions	(11,793)
(166) Other contributions	(328)
<b>(12,792) Total Capital Grants and contributions</b>	<b>(23,902)</b>
<b>(113,847) Total Credited to Taxation and Non Specific Grant Income</b>	<b>(124,709)</b>

<b>Credited to Services</b>	
<b>2017/18</b>	<b>2018/19</b>
<b>£000's</b>	<b>£000's</b>
<b>Directly</b>	
(43,756) Housing benefits	(36,640)
(38,328) Dedicated Schools Grant	(36,031)
(1,668) Pupil Premium	(986)
(268) Education Services Grant	0
(1,938) Sixth Forms funding from Education Funding Agency	(2,009)
(568) Independent Living Fund	(550)
(2,338) Improved Better Care Fund	(3,018)
(641) Adult Social Services Support	(398)
0 Winter Pressures	(637)
(155) Other grants related to Adult Social Care	(151)
(331) Universal Free School Meals	(50)
(945) LSC grant for Adult Education	(923)
(617) Unaccompanied Asylum Seeking Children	(734)
(421) Other grants related to supporting children services	(783)
(274) Other Highways related	(198)
(529) Troubled Families	(573)
(598) Homelessness Prevention	(755)
(7,794) Public Health Transfer	(7,594)
(713) Other miscellaneous grants	(860)
<b>(101,882) Grants Credited to Services directly</b>	<b>(92,890)</b>
(722) Other education and children social care	(727)
(6,177) Adult social care	(9,510)
0 Housing revenue account related	0
(165) Transportation including bus subsidy	(349)
(3,629) Culture, environment and planning	(4,112)
(230) Non domestic rates collection contribution	(232)
(4,024) Local Authority Contributions	(5,012)
(280) Other miscellaneous contributions	(319)
<b>(15,227) Contributions Credited to Services directly</b>	<b>(20,261)</b>
Via revenue expenditure funded by capital under statute	
(1,098) School related grants	(2,541)
(1,082) Disabled facilities and private sector renewal	(828)
(7) Other capital grants	(26)
(266) Other contributions including developer	(97)
<b>(2,453) Grants and contributions credited to Services as REFCUS</b>	<b>(3,492)</b>

<b>As at 31st March 2018 £000's</b>	<b>Capital grants and contributions receipts in advance</b>	<b>As at 31st March 2019 £000's</b>
	(5,598) Capital Maintenance, Basic Need and building schools for the future	(2,796)
	(5,347) Other General fund grants	(4,812)
	(494) LPSA Reward Grant	(433)
	<b>(11,439) Total Capital Grants</b>	<b>(8,041)</b>
	<b>Capital Contributions</b>	
	(268) Third parties such as NHS and other local authorities	0
	(1,290) Developer contributions transport & highways	(1,484)
	(1,693) Developer contributions recreational	(1,482)
	(5,784) Other developer contributions including community infrastructure levy	(3,210)
	<b>(9,035) Other Contributions</b>	<b>(6,176)</b>
	<b>(20,474) Capital Grants and Contributions Receipts In Advance</b>	<b>(14,217)</b>
	<b>Values associated with revenue accounts receipts in advance:</b>	
	(900) Government Departments	(957)
	(3,746) Other contributions	(4,425)
	(210) Health Authorities	(3)
	(229) Other local authorities	0
	<b>(5,085) Other Grants and Contributions Receipts In Advance</b>	<b>(5,384)</b>

## 29. Related Party Transactions

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

### Central Government

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax Bills, Housing Benefits). Grants received from government departments are set out in the analysis in Note 28.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2018/19 is shown in Note 23. All Members declare any interests within the Register of Member's Interests.

Similarly, senior officers are required to make a declaration of interests in connection to their post. The following bodies should be shown as related parties for officers.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Safewise	13	13

However, Member and Officer representation exists within the following organisations:

- Bournemouth Orchestras and South West Concerts Board (Grant £80k) (2017/18 £82k)
- Police Authority (note 1 Collection Fund £12,369k) (2017/18 £10,968k)
- Dorset Fire and Rescue Service (Collection Fund £4,564k) (2017/18 £3,979k)
- Poole Arts Trust Limited. The Council granted £431k and also provides the Arts Centre at a peppercorn rent, (2017/18 £442k)
- Various voluntary bodies. Some voluntary organisations are in receipt of grants which are only made after proper consideration of declarations of interest.

There were no outstanding balances with these organisations as at 31st March.

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

Pension Fund details of transactions with the Pension Fund is given in Note 32 to the accounting statements.

Other Public Bodies there were no exceptional transactions with other public bodies during the year. Note 1 to the Collection Fund details transactions with the Police and Fire Authorities who are both precepting bodies.

The Council has a joint arrangement with Bournemouth Borough Council and Dorset County Council for the delivery of Adult Learning Services. All authorities record their share of income and expenditure within their own accounts. It also has a joint arrangement with the Councils of North, Christchurch and East Dorset, for the delivery of services relating to housing and council tax benefit, and income collection including recovery.

### **30. Pooled Budgets**

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

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

The Council contributed to two pooled budgets within the Better Care Fund during 2018/19 - Integrated Community Equipment Store and Moving on from Hospital Living.

#### **Integrated Community Equipment Store**

Within the Better Care Fund, for 2018/19 the Community Equipment scheme is provided as a pan Dorset service, bringing together the previous two arrangements for Dorset County Council, Bournemouth Borough Council, Borough of Poole and the Dorset Clinical Commissioning Group (CCG) areas respectively. Bournemouth Borough Council is lead commissioner for the pan Dorset service and there is a risk share agreement covering the contributions to the scheme, requiring a pooled budget arrangement. Bournemouth Borough Council acts as the host authority for this budget. The scheme commenced in 2010.

## Moving on From Hospital Living

For the second year, the Better Care Fund has included a pooled budget for people moved on from hospital living. This has brought together budgets from the Borough of Poole, Bournemouth Borough Council, Dorset County Council and the Dorset Clinical Commissioning Group. Individual Authorities are lead commissioners for their respective expenditure. The Borough of Poole is leading the co-ordination of the overall pooled budget and risk share arrangements.

### 31. Capital Financing Requirement and Provision for the Repayment of Debt

This is a statutory requirement to set aside a minimum revenue provision (MRP) for the repayment of external loans. The Prudential Code requires that the Council calculates its 'Capital Financing Requirement' as at the end of the previous financial year and follows the guidance within the code to set aside a minimum amount from the general fund revenue account for the repayment of debt. There is no such requirement for the Housing Revenue Account.

General Fund £000's	Restated		Capital Financing Requirement	General Fund £000's	HRA £000's	2018/19 £000's
	HRA £000's	2017/18 £000's				
55,588	94,974	150,562	Opening Balance 1st April 2018	65,058	86,456	151,514
23,496	9,183	32,679	Capital Expenditure financed in year	25,214	10,725	35,939
0	(1,384)	(1,384)	Application of Capital Receipts	0	(1,397)	(1,397)
(13,247)	0	(13,247)	Application of Capital Grants and contributions	(16,576)	0	(16,576)
(4,827)	(7,798)	(12,625)	Application of Reserves	(1,902)	(9,328)	(11,230)
(4,052)	0	(4,052)	Less MRP including voluntary (see below)	(1,039)	0	(1,039)
0	(419)	(419)	Capital receipts set aside on attributable debt	0	(259)	(259)
8,100	(8,100)	0	Net Debt transfer from the HRA to the General Fund	3,542	(3,542)	0
<b>65,058</b>	<b>86,456</b>	<b>151,514</b>	<b>Total Capital Financing Requirement as at 31st March 2019</b>	<b>74,297</b>	<b>82,655</b>	<b>156,952</b>
<i>Explanation of movements in year</i>						
5,423	0	5,423	Increase in need for borrowing (in year)	6,921	0	6,921
0	0	0	Movement in borrowing need re property transfer	(184)	0	(184)
0	(419)	(419)	Movement re receipts set aside	0	(260)	(260)
(4,052)	0	(4,052)	Reduced by MRP including voluntary in year	(1,039)	0	(1,039)
<b>1,371</b>	<b>(419)</b>	<b>952</b>	<b>Increase/(decrease) in Capital Financing requirement</b>	<b>5,698</b>	<b>(260)</b>	<b>5,438</b>

### 32. Pension Schemes Accounted for as Defined Contribution Schemes

#### Participation in pension schemes

As part of the terms and conditions of employment the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments and these are required to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

The Local Government Pension Scheme (LGPS) administered by Dorset County Council.

It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### The Teachers' Pensions Scheme (TPS) administered by the Department for Education (DFE).

It provides teachers with defined benefits upon their retirement, and the Council contributes towards costs by making contributions based on a percentage of members' pensionable salaries. It is a defined benefit scheme, however it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. Therefore, for the purposes of this Statement of Accounts, it is accounted for as a defined contribution scheme.

The scheme is nationally funded and from 1 April 1997 the council has contributed to the scheme. In 2018/19 the contributions paid by the council were £1,615k. The employer's rate was 16.48%. (2017/18 contributions £1,919k, employers rate was 16.2%).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed on the following pages.

They are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

There are no plan assets built up to meet these pension liabilities.

### **Local Government Pension Scheme (LGPS)**

Transactions Relating to Post-employment Benefits. The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund Balance via the Movement in Reserves Statement.

The requirements of IAS 19 require the exclusion of accrued sums and therefore payments are now made on account to ensure that any year end adjustment is of a minimal sum. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

### **Transactions Relating to Post-Employment Benefits**

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

	<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	19,568	37,785
- Administration Cost	329	272
	<hr/>	<hr/>
	19,897	38,057
<b>Financing and Investment Income and Expenditure</b>		
- Net Interest Expense	6,720	7,546
	<hr/>	<hr/>
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>26,617</b>	<b>45,603</b>

### **Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:**

Remeasurement of the Net Defined Benefit Liability

comprising:		
- Return on Plan Assets (excluding the amount included in the net interest expense)	(9,139)	(8,930)
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	(40,418)	-
- Actuarial Gains and Losses arising on changes in Financial Assumptions	32,968	(33,422)
- Other	-	-
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>10,028</b>	<b>3,251</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	(20,613)	(39,599)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
- Employers' Contributions payable to the Scheme	11,754	12,220

#### Remeasurements and Other Comprehensive Income

The actuarial gains and losses recognised in CI&E.

	2018/19	2017/18
	£'000	£'000
Return on plan assets in excess of interest	9,139	8,930
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(32,968)	33,422
Change in demographic assumptions	40,418	-
Experience gain/(losses) on defined benefit obligations	-	-
<b>Remeasurements recognised in CI&amp;E</b>	<b>16,589</b>	<b>42,352</b>

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

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
<b>Opening Fair Value of Scheme Assets 1 April</b>	<b>411,869</b>	<b>382,965</b>
Interest Income	10,447	10,480
Remeasurement Gain / (Loss)		
- Return on Plan Assets (excluding the amount included in the net interest expense)	9,139	8,930
- Other	-	-
Administration Expenses	(329)	(272)
Contributions from Employer	11,469	12,083
Contributions from Employees into the Scheme	4,227	4,372
Benefits Paid (net of transfers in)	(17,279)	(16,072)
Receipt of Bulk Transfer Value	(1,134)	9,383
<b>Closing Fair Value of Scheme Assets at 31 March</b>	<b>428,409</b>	<b>411,869</b>

The actual return on scheme assets in the year was a surplus of £19,586k (2017/18 £19,410k)

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

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
<b>Opening Balance at 1 April</b>	<b>(682,775)</b>	<b>(662,839)</b>
Current Service Cost	(20,497)	(21,487)
Interest Cost	(17,167)	(18,027)
Contributions from Scheme Participants	(4,227)	(4,372)
Experience loss/gain on defined benefit obligation	-	-
Remeasurement Gain/(Loss)		
- Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	40,418	-
- Actuarial Gains/(Losses) arising on changes in Financial Assumptions	(32,683)	33,559
- Other	-	-
Past Service Cost, including Curtailments	(486)	(1,932)
Benefits Paid (Net of transfers in)	16,373	15,186
Liabilities extinguished on settlements	2,549	(23,749)
Unfunded Pension Payments	906	886
<b>Closing Balance at 31 March</b>	<b>(697,589)</b>	<b>(682,775)</b>

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. It is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. which are detailed below.

The independent actuary to the fund is Barnett Waddingham.

### Scheme History

The following disclosure note is required for the current year and for the previous accounting period:

	2018/19	2017/18
	£'000	£'000
Fair Value of Scheme Assets (bid value)	428,409	411,869
Local payment	-	-
Present value of Scheme Liabilities	(692,291)	(671,317)
Unfunded teachers	(10,406)	(11,457)
Closing Fair Value of Scheme Assets at 31 March	<u>(274,289)</u>	<u>(270,905)</u>

The total contributions the Actuary expects to be made to the scheme by the council in the year to March 2019 are £10,243k.

**Local Government Pension Scheme Assets Comprised:**

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Equities	217,858	222,626
Gilts	55,454	53,926
Other Bonds	30,308	28,867
Diversified Growth Fund	25,400	24,901
Property	66,903	60,899
Infrastructure	19,653	14,865
Hedge Fund	-	-
Cash	12,833	5,784
	<b>428,409</b>	<b>411,868</b>

The principal assumptions used by the actuary have been:

	<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

The principal inflation used by the actuary have been:

	<b>2018/19</b>	<b>2017/18</b>
	<b>%</b>	<b>%</b>
Rate of inflation – RPI increases	3.40	3.30
Rate of inflation – CPI increases	2.40	2.30
Rate of increase in Salaries	3.90	3.80
Rate of increase in Pensions	2.40	2.30
Rate for Discounting Scheme Liabilities	2.40	2.55

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

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

## Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	684,474	697,588	710,968
Projected Service Cost	19,906	20,385	20,876
Adjustment to long term salary increase	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	697,588	697,588	696,240
Projected Service Cost	20,385	20,385	20,385
Adjustment to pension increases and deferred revaluation	+0.1%	-0.0%	-0.1%
Present Value of Total Obligation	709,598	697,588	685,809
Projected Service Cost	20,876	20,385	19,905
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Obligation	723,507	697,588	672,628
Projected Service Cost	21,035	20,385	19,755

### 33. Contingent Liabilities

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

There is a potential liability to upgrade Ashmore Avenue level crossing, which is dependant on Level Crossing safety legislation, currently under review by Central Government. Network Rail's decisions on the 2012/13 Poole - Wool Resignalling Project work confirm that Ashmore Ave level crossing is not included. However, from 2013/14 on, there is a risk that Network Rail or the Office of Rail Regulation could seek an upgrade, consequent on the changes to national legislation on Level Crossings.

### 34. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Short Term	
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	Restated		Restated	
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Investments	-	7,500	-	37,125
Debtors (Note 13)	-	-	-	13,302
Long term debtors	-	2,179	-	-
Cash and Cash Equivalents (Note 14)	-	-	-	926
<b>Total Financial Assets - Loans and receivables</b>	-	<b>9,679</b>	-	<b>51,353</b>
<b>Financial assets at fair value through profit and loss</b>				
Investments	-	-	32,604	-
Debtors	-	-	-	-
<b>Financial assets at amortised cost</b>				
Investments	-	-	7,527	-
Debtors	1,939	-	-	-
Cash and cash equivalents	-	-	917	-
<b>Financial assets at fair value through other comprehensive income</b>				
Investments	-	-	-	-
Debtors	-	-	-	-
<b>Total Financial Assets</b>	<b>1,939</b>	<b>9,679</b>	<b>41,048</b>	<b>51,353</b>
<b>Financial Liabilities</b>				
<b>Financial liabilities at fair value through profit and loss</b>				
Borrowing	-	-	-	-
Creditors	-	-	-	-
<b>Financial liabilities at amortised cost</b>				
Long term borrowing	(81,372)	(90,032)	-	-
Short term borrowing	-	-	(8,778)	(1,218)
Creditors and depositors (Note 15)	-	-	(24,464)	(28,658)
Developers' contributions	(17,001)	(9,062)	-	-
Cash and Cash Equivalents - Bank Overdraft (Note 14)	-	-	(4,555)	(5,095)
<b>Total financial liabilities</b>	<b>(98,373)</b>	<b>(99,094)</b>	<b>(37,797)</b>	<b>(34,971)</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.

Consequential to the adoption of IFRS9 there is a change of policy in relation to how certain financial assets are presented in the accounts. Thus, cash funds previously held for the purposes of short-term cash management and recorded as cash and cash equivalents on the Balance Sheet are now held as short-term investments, albeit with the same objectives. The Balance Sheet for 2017/18 has been restated accordingly as required by the Code of Practice and these cash funds (incorporating what are known as cash plus funds and money market funds) are shown as financial assets at amortised cost. These types of financial assets are held at amortised cost on the Balance Sheet and any changes in fair value are initially debited or credited to the Comprehensive Income and Expenditure Statement (CIES) but then reversed out in the Movement in Reserves Statement to mitigate the impact upon the general fund balance. This treatment is unique to these types of funds as the result of a change in the relevant statute: fair value changes in respect of other financial assets held at amortised cost are recognised in the CIES as they occur.

## Financial Instruments – Income, Expense, Gains and Losses

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
<b>Net (gains)/losses on :-</b>				
Financial assets at fair value through profit and loss	(4)	-	-	-
Financial assets at amortised cost	45	-	286	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
<b>Total net (gains)/losses</b>	<b>41</b>	<b>-</b>	<b>286</b>	<b>-</b>
<b>Interest revenue</b>				
Financial assets at amortised cost	(406)	-	(215)	-
Other financial assets at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>(406)</b>	<b>-</b>	<b>(215)</b>	<b>-</b>
<b>Interest expense</b>	<b>3,146</b>	<b>-</b>	<b>3,161</b>	<b>-</b>

**Fair value of financial assets and financial liabilities that are not measured at fair value (but for which fair value disclosures are required)**

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments.

In the table below investments have been restated following the reclassification of certain cash and cash equivalents to this category. The main difference between carrying amount and the fair value of borrowing is with respect to the PWLB loans and this reflects the fact that the average rate of interest being paid on existing borrowing is higher than current rates of new borrowing which are at historically low levels.

	Level	31st March 2019		31st March 2018	
		Carrying Amount	Fair Value	Carrying Amount restated	Fair Value restated
		£'000	£'000	£'000	£'000
<b>Financial assets carried at amortised cost</b>					
Investments	2	7,527	7,519	44,625	44,625
Debtors	3	20,982	20,982	15,481	15,481
Cash and cash equivalents	2	917	917	926	926
<b>Total Financial Assets</b>		<b>29,426</b>	<b>29,418</b>	<b>61,032</b>	<b>61,032</b>
<b>Financial liabilities carried at amortised cost</b>					
PWLB borrowing	2	(80,783)	(103,954)	(81,200)	(104,901)
Other borrowing	2	(9,249)	(9,195)	(9,928)	(9,928)
Creditors	3	(24,464)	(24,464)	(28,658)	(28,658)
Developers' contributions	2	(17,001)	(17,001)	(9,062)	(9,062)
Bank (overdrawn)	2	(4,555)	(4,555)	(5,095)	(5,095)
Accrued interest	2	-	-	(122)	(122)
<b>Total Financial Liabilities</b>		<b>(136,052)</b>	<b>(159,169)</b>	<b>(134,065)</b>	<b>(157,766)</b>

Interest due but not paid as at 31 March is accrued in the accounts. The position at 31 March 2018 was shown separately; the position at 31 March 2019 is included in the relevant figures in the body of the table above.

Financial and non-financial assets and liabilities measured at Fair Value are classified in accordance with three levels as shown below:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

The fair value hierarchy of the financial assets and financial liabilities is shown in the table above.

The 'fair value' of the PWLB loan has been calculated in accordance with IFRS13. As in prior year, the loan falls within 'Level 2 hierarchy' of fair value measurements. Its fair value has been estimated by calculating the net present value of the remaining loan repayments at 31 March 2019. Additionally, were the loan to be repaid at 31 March 2019, Poole's repayment would increase from £80,783k (book value) to £124,008k (an increase of £43,225k). The increase in PWLB loan payable (to book value) reflects the cost of premature repayment' of debt at rates set by PWLB.

The fair value of loans payable to other local authorities, the Salix Finance Ltd loans payable and for loans receivable is assessed by reference to prevailing market rates. These also fall within level 2 of the fair value hierarchy.

The fair value of the pooled investment funds is based on the purchase price of the equivalent investment as at 31 March 2019. As such, these are within the Level 1 hierarchy as these products are readily available at quoted market prices.

The fair value of other financial assets held at amortised cost such as trade debtors and other receivables (short term debtors) and of financial liabilities held at amortised cost such as trade creditors has been taken to be the same as the invoiced or billed amount.

Financial assets held at amortised cost include deferred payments for services granted under The Health and Social Care Act. These items are required to be classed as 'soft loans' by the Council, the write down arising from valuing loans at fair value to the income and expenditure account. This amount can then be reversed out to the Financial Instruments Adjustment Account through the Movement in Reserves Fund Balances. The Code allows authorities to apply de minimus levels in assessing whether there is a need to action the adjustments. The adjustment required would not be material and has not been applied to the accounts.

In addition to soft loans which have been advanced by the Council, the Council has also been the recipient of a number of loans from Salix Finance Ltd, which are used to fund energy saving efficiency measures to deliver long-term savings but which are calculated to payback the investment in the short-term. A total of £3.225m was given to the Council, the balance at 31 March 2019 was £1.749m and the loans will all be repaid by 2023. Given the low interest rates over the period that these loans were advanced, the impact upon the accounts of adjusting for the difference between the interest free rate at which the Salix loans were advanced, interest rates at that time and the shorter period for paying back these loans, no adjustment has been made to the accounts on the grounds that this would not be material.

### **Financial Liabilities**

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

The Council's loan portfolio at year end consisted of PWLB loans, interest free Salix loans and a loan from another local authority. It also utilises a bank overdraft facility as part of its daily treasury management activity.

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

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

### **Financial Assets**

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

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

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and

unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value Through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

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

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

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise. Ordinarily this would have an impact upon the General Fund balance: the exception to this is in respect of fair value changes to funds held in pooled investment funds where gains and losses are recorded in an unusable balance sheet reserve. The authority invests in a number of these funds – called money market funds and cash plus funds – and a small net gain of £4k as at 31 March 2019 has been transferred to this new reserve (i.e. the Pooled Investments Adjustments Account).

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

### **Disclosure of nature and extent of risks arising from financial instruments**

The Council's activities expose it to a variety of financial risks:

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

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

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

The Council has only £7.5m in fixed term investments at 31 March 2019 at a fixed rate on interest. This is due to be repaid in 2019/20. This will enable the Council to take advantage of potential market changes effectively.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

## Credit Risk Exposure

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are placed with approved institutions of sufficiently high credit quality as set out in the Treasury Management Strategy. An upper limit of £10m/20% of the total portfolio is placed on the amount of money that can be invested with a single counterparty with the exception of investments with the Debt Management Office. The Council also sets a group investment limit for institutions that are part of the same banking group. No more than £10m can be invested for a period of longer than one year. The Council uses many sources of information when selecting appropriate counterparties for its investments. One method is the use of credit ratings which are taken from all three rating agencies, Fitch, Standard and Poor's, and Moody's, the lowest rating from the three is used when arriving at the minimum acceptable credit risk.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and un-collectability over the last five years, adjusted to reflect current market conditions.

Investments / deposits are made in accordance with the Council's approved Treasury Management Strategy, and are placed with highly rated organisations. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings set by the Council. All in-year short term loans to local authorities have been settled fully and on-time.

## Liquidity Risk Exposure

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. Over the short to medium term, cash is invested in overnight money market funds, notice accounts, bank deposits and short term loans to other local authorities. The Council aims to keep sufficient cash resource available to meet daily operational needs, and also has ready access to borrowings from the Public Works Loan Board (PWLB), if required. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will have to consider a significant proportion of its borrowings at a time of unfavourable interest rates. In order to manage the risk of a significant proportion of its borrowings at a time of unfavourable interest rates the Council has spread the maturity profile of its long term borrowing over a number of years.

Short term as at 31 March 2018 £'000	Long term as at 31 March 2018 £'000		Short term as at 31 March 2019 £'000	Long term as at 30 March 2019 £'000
<b>Analysis of loans by type</b>				
(417)	(80,783)	Public Works Loans Board (PWLB)	(417)	(80,366)
(679)	(1,749)	Salix Finance Ltd	(743)	(1,006)
-	(7,500)	Local authority loan	(7,500)	-
(96)	(99)	Interest due but not paid as at 31 March	(118)	-
<b>(1,191)</b>	<b>(90,131)</b>	<b>Total outstanding</b>	<b>(8,778)</b>	<b>(81,372)</b>
<b>Analysis of loans by maturity</b>				
(96)	(99)	Interest due but not paid as at 31 March	(118)	-
(1,096)	-	Within the next year	(8,660)	-
-	(8,660)	Between 1 and 2 years	-	(10,915)
-	(12,255)	Between 2 and 5 years	-	(1,549)
-	(208)	Between 5 and 10 years	-	-
-	(25,000)	Between 10 and 20 years	-	(25,000)
-	0	Between 20 and 30 years	-	-
-	(43,908)	Greater than 40 years	-	(43,908)
<b>(1,191)</b>	<b>(90,131)</b>	<b>Total long term loans and related interest</b>	<b>(8,778)</b>	<b>(81,372)</b>

## Market Risk - Interest Rate Risk Exposure

As all of the Council's external borrowing is at fixed rates of interest, it is only exposed to the risk of interest rate movements on investments. Bank deposits and sums loaned to other local authorities are all made at a fixed rate of interest.

Investment at variable rates - the interest credited to the income and expenditure account will rise

Investment at fixed rates- the fair value will fall. Where fixed rate investments have short maturities, the effect will be similar to that for variable investments, as the replacement investments will generate more income. The Council monitors interest rate movements on a daily basis.

If interest rates had been 1% higher through 2018/19 (with all other variables held constant), the financial effect on the Council's interest earned would be:

	2018/19 £'000	2017/18 £'000
Increase in interest payable on borrowings *	0	0
Increase in interest receivable on variable rate investments	570	378
Impact on Comprehensive Income and Expenditure Account (from increased investment income)	570	378
Share of overall impact (credited) / debited to the HRA	(96)	28

\* nil as all of the Council's borrowing is at a fixed rate of interest

## 35. Accounting Policies

### a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and it's position at the year end of 31 March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. It has been prepared, except where mentioned in the notes below, in accordance with proper accounting practices primarily comprising:

- the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19;
- and supported by International Financial Reporting Standards (IFRS).

Throughout the presentation of financial accounts figures, expenditure, income reductions and deficits are shown without brackets; income, expenditure reductions and surpluses within brackets. This is with the exception of Note 31 Retirement Benefits which is shown in accordance with actuarial standard practice.

The purpose of this Statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non - current assets and financial instruments. These accounts have been prepared on the basis that the Council is a going concern.

### b. Accruals of Income and Expenditure

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

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed - there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services made by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might be collected.

The accounts contain all transactions relating to income derived from council housing rentals and all expenditure in relation to the management and maintenance of the council housing stock. All accruals of income and expenditure are accounted for in the same way as is referenced in the above paragraphs. The accounts contain comprehensive notes specifically in relation to the Housing Revenue Account (HRA) so that the reader of the accounts can see the values that are consolidated within the main statements.

Analysis of debtors and creditors can be found in the Notes 13 and 15 to the Financial Statements.

VAT is included in income and expenditure accounts, only to the extent that is irrecoverable.

### **c. Council Tax and Non-Domestic Rates**

Billing authorities (of which Poole is one) act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. For NDR this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as the Poole Borough. For Council Tax the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as the Borough of Poole Precepts

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet included the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

Further information is contained within the Collection Fund Accounts

### **d. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **e. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **f. Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

#### **g. Charges to Revenue for Non-Current Assets**

General Fund Service Revenue Accounts, Central Support Services, Trading Accounts and the Housing Revenue Account are charged with the following items to record the real cost of using assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations and therefore these charges are appropriated back out to the Capital Adjustment Account via the adjustments between accounting basis and funding basis under regulations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement on a prudent basis. This sum is calculated in line with statutory guidance (for supported borrowing this council uses an amount equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account activity). This amount, known as the Minimum Revenue Provision (MRP), is a charge against the General Fund Balance and is an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement. For any prudential borrowing, repayments are made, as a minimum, over the life of the asset. This is accounted for as voluntary revenue provision for capital financing and is accounted for in the same way as described for MRP. In summary depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **h. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They included such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable as at the 31st March, to give a true liability as at 31 March date. An alternative would be to use the 'next year' rate for wage and salary rates as this is when the employee takes the benefits. The accrual is charged to Surplus or Deficit on the

Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged on an accruals basis to the services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### **Post Employment Benefits**

The majority of the Council's employees are either in the Local Government Pension Scheme (LGPS) or the Teachers' Pension Scheme (TPS).

\*The LGPS is administered by Dorset County Council and employer contribution levels are set by the fund administrator taking into account government regulations.

\*The TPS administered by Capita Teachers' Pensions on behalf of the Department for Education set the contributions nationally.

Both schemes provide defined benefits to members, earned as employees work for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme - no liability for future payments of benefits is recognised in the balance sheet and the People - Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the TPS in the year. This is with the exception of discretionary additional pension payments made to teachers which are accounted for as a defined benefit scheme and are included within pension liabilities. The LGPS is accounted for as a defined benefit scheme and in compliance with International Financial Reporting Standard 19 (IAS 19) Retirement Benefits. In essence this requires that the accounts should reflect the liability for benefits when the Council is committed to making them, even if the actual payment will be many years into the future.

This policy is felt to be more appropriate as it means that the full cost of employing people is recognised during the period of employment and that this is consistent with the concept of total cost as defined within CIPFA's 'Service Reporting Code of Practice'.

The liabilities of the Dorset County Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).

The assets of the Dorset County Council Pension attributable to the Council are included in the Balance Sheet at their fair value as estimated by the actuary.

The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- current service cost - the increase in liabilities as a result of years' service earned this year allocated in the Comprehensive Income and Expenditure Statement to services for which the employees worked:
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability –i.e. net interest expense for the Council –the change during the period in the net defined benefit liability that arises from the passage of time charged to Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on the plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Dorset County Council Pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

#### **i. Events after the Balance Sheet Date**

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

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

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

#### **j. Fair Value Measurement**

The Council measures surplus assets and investment properties (non-financial assets) at fair value at each reporting date. The PWLB loan which is a financial liability is recognised in the accounts at cost but disclosure notes provide its fair value for information. Fair value is the price that would be received to sell

an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Level 3 – unobservable inputs for the asset or liability

## **k. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

### **Financial Assets**

Financial assets are required to be classified into two types:

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

This Council only has financial assets that fall within the classification of 'loans and receivables'.

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

## **I. Government Grants and Contributions**

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

\*the Council will comply with the conditions attached to the payments, and

\*the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The Council's interpretation is that if there is a right of return of the grant or contribution then the funding will be held in the receipts unapplied until such time as it is applied to relevant spend. If there is no right of return, then the grant or contribution is recognised immediately in the Comprehensive Income and Expenditure Account but is backed out through the Movement in Reserves Statement to either Earmarked Revenue Reserves or to the Capital Grants Unapplied Reserve.

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

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

### **m. Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the council for more than one year.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment where there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to Capital Receipts Reserve.

### **n. Interests in Companies and Group Accounts**

The Council has interests in two companies. Firstly in its 'Arm's Length Management Organisation' PHP Ltd. Financial transactions with the company are recorded in the HRA and the Group Accounts. PHP is responsible for the management of the Council's housing stock.

Secondly in Tricuro Ltd which is a joint venture between Dorset County Council, Bournemouth Borough Council and Poole Borough Council and is principally engaged in the provision of social care provider

services for vulnerable adults. Transactions with the company are recorded within the accounts and Poole's share of pension liability is also recognised.

#### **o. Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually. They are revalued in accordance with IAS40 which requires that the fair value of investment property shall reflect the market conditions at the end of the reporting period. This is achieved using a revaluation date of 31 December and then certification from the valuers that the valuation is still appropriate for the year end reporting or with any appropriate adjustment. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rental received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **p. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly.

#### **q. Overheads and Support Services**

The cost of overheads and support services are accumulated in holding accounts and then charged to the Council's service segments. The methodology adopted by the Council is in line with the recommended charging principles contained within the CIPFA Service Reporting Code of Practice 2018/19 and on a full cost basis.

Exceptions to this are limited to:

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

#### **r. Property, Plant and Equipment (PPE)**

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

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non current assets which is charged as an expense when it is incurred. The Council operates to a working deminimus of £25,000.

## Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset in to working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use i.e. existing use value (EUV). Where there is no market-based evidence and/or because of the specialist nature of an asset, then depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

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

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

## Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

## Depreciation

Depreciation is provided on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). It is charged in full in any year of disposal but not in the year of acquisition. Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer and council dwellings are based on the life of components. Asset lives range between 5 and 60 years.
- vehicles, plant, furniture and equipment - straight line allocation over useful economic life dependent upon asset type and generally after consulting with relevant officers using asset lives ranging between 5 and 20 years.
- infrastructure - straight line allocation ranging between 10 and 125 years.

Information relating to useful economic lives of individual assets is recorded in the Fixed Asset Register. Newly acquired assets are depreciated from the year after acquisition. Where a material item of PPE has major components, whose cost is significant in relation to the total cost of the item, and the UELs are different and would create a distortion to the charge made in the Comprehensive Income and Expenditure Statement, then these will be depreciated separately. The application of this IFRS standard is prospective, that is to be applied to assets at the point of revaluation, enhancement or acquisition. A de minimus level of £2m is being used for the level at which an individual asset needs to be considered for componentisation and the component would need to be at least 20% of the value

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

## Disposals and Non –current assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Service. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Council dwellings being sold to tenants under Right to Buy legislation will not be held in this category as the certainty of the selling decision does not rest with the Council. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory

deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Recognition of school assets and transfer of schools to academy status**

The accounting treatment of land and buildings for each school is based on the legal framework underlying each type of school and any legal transfers of assets that have occurred. School assets are retained on the Balance Sheet until they are transferred to their new status. At the point of transfer the asset is treated as a disposal at zero value and the loss is recognised in the Comprehensive Income and Expenditure Account as part of other operating expenditure. There is no impact on the tax payer as this loss is reversed in the adjustment between accounting basis and funding basis under regulations.

## **s. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle, a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

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

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **t. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the

General Fund in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Council also operates reserves earmarked for capital purposes with the intention of funding future capital expenditure. Termed 'capital fund' this has actually been established from revenue contributions. In addition, the Housing Revenue Account has a major repairs reserve. When the council incurs capital expenditure, the funds can be used as a source of finance. At the point of use, entries are made in the reconciling items statement and adjustments made to the capital adjustments account and the reserves.

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

#### **u. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. Included here are private sector housing renewal loans. The Council does not recognise these as long term debtors in the accounts. Any repayments are reinvested into private sector renewal category. This treatment is also applied to capital expenditure on schools where the assets are vested within the control of the governors rather than LEA e.g. voluntary aided schools.

#### **v. Schools**

The Code confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not any Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

#### **w. Value Added Tax (VAT)**

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

### **36. Accounting Standards that have been issued but have not yet been adopted**

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

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

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

### **37. Local Government Reorganisation**

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

Movement In Reserves Statement. The notes to the Financial Statements disclose the impact of the transfers rather than re-state comparative year figures.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2017/18 £'000	Note	2018/19 £'000
<b>Income</b>		
(19,638) Dwelling Rents (gross)	3	(19,650)
(387) Non-Dwelling Rents (gross)		(42)
(1,336) Charges for Services and facilities		(1,350)
(131) Contributions towards expenditure		(142)
- Capital Grants and Contributions		(197)
(21,492) <b>Total Income</b>		(21,381)
<b>Expenditure</b>		
5,004 Repairs and Maintenance		5,146
4,084 Supervision and Management		4,008
133 Rents, rates, taxes and other charges		132
- Revenue expenditure funded from REFCUS		-
22 Movement in the allowance for Bad Debts		71
538 Depreciation net revaluation adjustments of Non-Current Assets	6	1,367
101 Debt Management Costs		101
9,882 <b>Total Expenditure</b>		10,825
<b>Net Expenditure or Income of HRA Services as included in the whole authority</b>		
(11,610) <b>Comprehensive Income and Expenditure Account</b>		(10,556)
191 HRA services share of Corporate and Democratic Core		182
(11,419) <b>Net Expenditure of HRA Services</b>		(10,374)
<b>HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account</b>		
3,121 Interest payable and similar charges		3,088
(72) Interest and Investment Income		(89)
(8,370) <b>(Surplus) or Deficit for the year on HRA services</b>		(7,375)

### Movement on the Housing Revenue Account Statement

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

2017/18 Net Expenditure £'000	2018/19 Net Expenditure £'000
(580) <b>Balance on the HRA at the end of the previous year</b>	(580)
(8,370) (Surplus) Deficit for the year on the income and expenditure account	(7,375)
3,958 Capital expenditure funded by the Housing Revenue Account	3,774
4,412 Reversal of Net revaluation (increases) / decreases recognised in Surplus/Deficit	3,601
- <b>Net (Increase) or Decrease before transfers to or from Reserves</b>	-
(580) <b>Balance on the HRA at the end of the Current Year</b>	(580)

## NOTES TO HOUSING REVENUE ACCOUNT

### 1. HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to account separately for Local Authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration, government subsidy payable and capital financing costs, and how they are met by rents and other income.

### 2. ARM'S LENGTH MANAGEMENT ORGANISATION (ALMO)

From the 1st April 2004 the Council has established an arm's length management organisation (ALMO) with responsibility for managing its housing stock. The ALMO (company name - Poole Housing Partnership Ltd) is a company limited by guarantee, wholly owned by the Borough of Poole. The establishment of an ALMO has not involved any change in the ownership of the housing stock and the property managed by the ALMO remains within the Housing Revenue Account (HRA).

The Housing Revenue Account includes £8,304k management fee paid to Poole Housing Partnership Ltd. This is made up of £2,801k in supervision and management, £4,983k in repairs and maintenance, and £520k in capitalised expenditure. This was reduced by £277k in year to £8,027k due to efficiencies made in PHP.

### 3. RENT INCOME (FROM DWELLINGS)

2017/18 £'000		2018/19 £'000
	Rent Income from Dwellings	
19,886	- Rental Income	19,803
(248)	- Less void dwellings	(153)
<b>19,638</b>	<b>Rental Income</b>	<b>19,650</b>
<b>£</b>		<b>£</b>
85.15	Average Rent-52 week basis <i>(Based on 31st March Stock Numbers)</i>	84.28
93.43	Houses and Bungalows	92.47
77.18	Sheltered Housing	76.48
86.42	Maisonettes	85.55
93.16	Non Traditional Houses	92.24
81.91	High Rise Flats	81.07
79.45	Low Rise Flats	78.49

On the first April 2002, the Council implemented the Government's rent restructuring policy. This policy introduced a new approach to rent setting with the aim that social rents remain fair, affordable, and closely linked to the qualities tenants value in properties. The approach is being phased in over a period which would see most rents reach their Target or Formula rent by 2015/16. The Authority has followed Government guidance from the Welfare Reform and Work Act 2016 implementing four years of rent reduction that will end with the 2019/20 financial year.

#### 4. HOUSING STOCK

The Council was responsible for managing an average stock of 4,513 dwellings (including hostel bed spaces) during 2018/19, (4,528 in 2017/18). The changes in stock are summarised as follows:-

2017/18		2018/19
4,540	Stock at beginning of Year	4,517
-	Stock reclassification	1
2	New Building and Acquisitions	5
(25)	Sales etc.	(15)
<b>4,517</b>	<b>Stock + Hostels at End of Year</b>	<b>4,508</b>
<b>Analysis of Housing stock at year end :</b>		
<b>Flats</b>		
1,535	One bedroom	1,533
760	Two bedroom	759
116	Three bedroom	116
<b>Houses and Bungalows</b>		
196	One bedroom	196
574	Two bedroom	572
1,173	Three bedroom	1,169
163	Four bedroom +	163
<b>4,517</b>	<b>Stock + Hostels at End of Year</b>	<b>4,508</b>

#### 5. RENT ARREARS

2017/18 £'000		2018/19 £'000
364	Gross arrears as at Balance Sheet date <i>(current and former tenant arrears considered recoverable)</i>	405
50	Dwelling rents written off during the year	37
278	Provision for bad debts as at 31 March	310
1.86%	Current Tenant rent arrears expressed as a % of gross rent income	2.06%

#### 6. DEPRECIATION AND REVALUATION ADJUSTMENTS

Depreciation reflects the consumption of HRA fixed assets over their useful life and should provide a clear picture on the need for expenditure to maintain the value of the stock. Component accounting is used to calculate depreciation. Where possible the actual cost of replacing the major components, such as kitchens and bathrooms, is used and the cost spread across the useful life of that component. This provides an accurate picture of the annual cost of replacement for all the major components within the council house dwellings.

Other building are depreciated over useful economic life. Land is not depreciated due to having an infinite life. Impairment charged to the Income and Expenditure Account represents general price falls which are in excess of previous revaluation gains. The charge is reversed in the SMHRAB so that these costs are not charged to tenants.

For 2018/19 there is a net revaluation upwards credited to the accounts of £3,601k and a depreciation charge of £4,968k. The government issue a % value of the market value to be used for inclusion within the accounts. In 2018-19 the percentage used is 35% which is the same as was used previously

## 7. CAPITAL RECEIPTS

Capital receipts in respect of the HRA received during the year are as follows:

2017/18		2018/19		
Total		Council Dwellings	Assets for Sale	Total
£'000	Type of Receipt	£'000	£'000	£'000
3,160	Sale Proceeds	1,772	148	1,920
(26)	Less administration costs	-	-	-
<b>3,134</b>	<b>Total Net Receipts</b>	<b>1,772</b>	<b>148</b>	<b>1,920</b>

In 2012/13 revised arrangements were put in place by National Government under section 11(6) of the Local Government Act 2003 for local councils to retain surplus Right to Buy receipts (ie receipts arising from increased sales resulting from greater discounts) for investment in new affordable homes. The ratio of retention was set at 1:2.398 after the HM Treasury had taken into account the number of sales estimated that it estimated it would receive had the discount not been increased. This means that, for every £1 retained for any capital purpose since 2012/13 (ie after transaction costs and debt adjustments) just under £2.40 was surrendered to HM Treasury. This retained funding must be committed to replacement housing stock within three years of the quarter end after the disposal of the asset.

## 8. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

Details of capital expenditure within the HRA and the financing of that expenditure are set out below.

2017/18		2018/19				
Total		Council Dwellings	Other Land & Buildings	Assets Under Construction	Plant & Equipment	Total
£'000		£'000	£'000	£'000	£'000	£'000
<b>9,183</b>	<b>Total Capital Expenditure</b>	5,913	78	4,421	313	<b>10,725</b>
	<b>Financing</b>					
696	RTB Receipts	-	-	-	1,397	<b>1,397</b>
688	Capital Receipts	-	-	-	-	-
3,840	Major Repairs Reserve	2,139	78	3,024	313	<b>5,553</b>
3,958	Revenue Contributions	3,774	-	-	-	<b>3,774</b>
<b>9,183</b>	<b>Total Financing</b>	<b>5,913</b>	<b>78</b>	<b>3,024</b>	<b>1,710</b>	<b>10,725</b>

## 9. MAJOR REPAIRS RESERVE

Authorities are required under regulation 6 (4a) of the Accounts and Audit Regulations 1996 to set up a Major Repairs Reserve, and to transfer into it a sum not less than the Major Repairs Allowance received as part of the HRA subsidy. These funds are then used to meet capital expenditure on HRA assets.

2017/18 Total £'000	2018/19 Total £'000
<b>(10,641) Balance as at 1st April</b>	<b>(11,751)</b>
<b><u>Income</u></b>	
(4,950) Transfer of equivalent amount to Depreciation charge from Capital Financing Reserve	(4,968)
<b>(4,950)</b>	<b>(4,968)</b>
<b><u>Expenditure</u></b>	
3,840 Capital expenditure funded from Major Repairs Reserve	5,553
<b>3,840</b>	<b>5,553</b>
<b>(11,751) Balance as at 31st March</b>	<b>(11,165)</b>

## 10. MOVEMENT OF HOUSING REVENUE ACCOUNT FIXED ASSETS

2017/18 £'000's	Council Dwellings £'000's	Other Land & Buildings £'000's	Assets under Construction £'000's	Surplus Assets £'000's	Plant & Equipment £'000's	Total £'000's
269,701 Gross Book Value 31 March 2019	267,712	4,340	4,091	910	1,357	278,410
(457) Accumulated depreciation as at 31 March 2019	(39)	(287)	0	0	(302)	(628)
<b>269,244 Net Book Value as at 1st April 2018</b>	<b>267,673</b>	<b>4,053</b>	<b>4,091</b>	<b>910</b>	<b>1,055</b>	<b>277,782</b>
269,701 Gross Book Value 31 March 2019	267,712	4,340	4,091	910	1,357	278,410
1,974 Revaluations and adjustments	1,468	186	0	0	0	1,654
4 Revaluations up/down to surplus/defecit	(1,245)	0	0	0	0	(1,245)
9,183 Additions	5,857	2	3,906	0	313	10,078
(2,472) Disposals	0	(1,772)	0	0	0	(1,772)
<b>278,390 Gross Book Value as at 31 March 2019</b>	<b>273,792</b>	<b>2,756</b>	<b>7,997</b>	<b>910</b>	<b>1,670</b>	<b>287,125</b>
(457) Accumulated depreciation as at March 2018	(39)	(287)	0	0	(302)	(628)
(4,950) Depreciation for the Year	(4,768)	(50)	0	0	(150)	(4,968)
617 Depreciation written out to the revaluation reserve	627	(7)	0	0	0	620
4,182 Depreciation recognised in surplus/defecit	4,044	0	0	0	0	4,044
<b>(608) Accumulated depreciation as at 31 March 2019</b>	<b>(136)</b>	<b>(343)</b>	<b>0</b>	<b>0</b>	<b>(452)</b>	<b>(931)</b>
<b>277,782 Net Book Value as at 31st March 2019</b>	<b>273,657</b>	<b>2,413</b>	<b>7,997</b>	<b>910</b>	<b>1,217</b>	<b>286,194</b>

The date of the valuation for HRA assets is 31 March of every year. This is in line with the Council's financial year end and ensures asset values reported in financial statements reflect their fair value. The vacant possession of dwellings within the HRA as at 31 March 2019 was £776,958k (31 March 2018 £764,777k) The Government guidance on stock re-valuation requires local authority housing stock to be valued based on the basis of existing use value - social housing (EUV-SH).

This requires us to assume that the property is a letting property and will continue to be made available for letting if vacated rather than sold with vacant possession. To allow for this Government guidance suggests that the open market value of the properties is discounted to 35% of the value in the South West of England (31% 2015-16). This discount has been applied to the housing assets but, in accordance with the guidance, no discount is applied to hostels or non housing assets. The difference between the vacant possession value and the value per the balance sheet illustrates the economic cost to government of providing council housing at less than open market rents.

## **11. CONTRIBUTIONS TOWARDS EXPENDITURE**

In specific circumstances contributions from the Authority's General Fund to the Housing Revenue Account are permissible, including when amenities are shared by the wider community. This includes grounds maintenance on Housing Revenue Account land from which the wider community will derive benefit. In line with good practice this contribution is based on the total number of right to buy sales.

## THE COLLECTION FUND

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>INCOME</u></b>		
Income from Council Tax	(96,797)	(90,467)
Income Collectable from Business Ratepayers (NNDR)	(64,261)	(63,719)
Contribution from Precepting Authorities - towards deficit balance (NNDR)	-	-
<b>Total Income</b>	<b>(161,058)</b>	<b>(154,186)</b>
<b><u>EXPENDITURE</u></b>		
Council Tax - Precepts and Demands		
- Borough of Poole	80,035	74,435
- Dorset Police and Crime Commissioner	11,812	10,968
- Dorset & Wiltshire Fire & Rescue	4,157	3,979
Business Rate:		
- Share to Major Preceptors		
- Borough of Poole	27,332	27,960
- Dorset & Wiltshire Fire & Rescue	558	571
- Share to Central Government	27,890	28,530
- Transitional Protection Payments	570	1,306
- Costs of Collection	232	230
Impairment of Debts and Appeals		
Council Tax:		
- Write Offs	-	-
- Allowance for impairment	439	265
Business Rate:		
- Write Offs		
- Allowance for impairment	288	313
- Appeals charged against provision	7,582	1,135
Contribution of surplus to Preceptors		
- Council Tax	1,256	1,136
- Business Rates	-	2,366
<b>Total Expenditure</b>	<b>162,151</b>	<b>153,194</b>
Movement in Fund Balance (Surplus)/Deficit	1,093	(992)
Balance Brought Forward 1 April:		
Council Tax:		
- Poole's Proportion	(1,218)	(1,477)
- Preceptors' Proportion	(245)	(302)
Business Rate:		
- Poole's Proportion	(1,818)	(1,201)
- Central Government Share	(1,855)	(1,177)
- Preceptors' Share	(37)	(24)
<b>Balance Carried Forward 31 March</b>	<b>(4,080)</b>	<b>(5,173)</b>
Council Tax:		
- Poole's Proportion	(465)	(1,218)
- Preceptors' Proportion	(95)	(245)
Business Rate:		
- Poole's Proportion	(1,725)	(1,818)
- Central Government Share	(1,760)	(1,855)
- Preceptors' Share	(35)	(37)
	<b>(4,080)</b>	<b>(5,173)</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	4	5/9	2
A	2,697	6/9	1,798
B	8,580	7/9	6,673
C	18,753	8/9	16,669
D	10,950	9/9	10,950
E	7,372	11/9	9,070
F	3,707	13/9	5,355
G	3,070	15/9	5,117
H	955	18/9	1,909
MOD	-		157
<b>Total</b>	<b>56,088</b>		<b>57,700</b>

The above Band D Equivalent figure is adjusted by the expected collection rate of 99.1% to give the Tax Base for the year.

### 2. Income from Business Rate Payers

	2018/19 £	2017/18 £
Total Rateable Value at 31 March (£)	159,180,652	159,848,252
The Multiplier (rate in the £) as set by Government (Pence)	49.3	47.90

### 3. Distribution of Estimated Balance on the Collection Fund

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

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

	2018/19 £'000	2017/18 £'000
Borough of Poole	(1,045)	(942)
Dorset Police and Crime Commissioner	(154)	(143)
Dorset & Wiltshire Fire and Rescue	(56)	(52)
<b>Total</b>	<b>(1,256)</b>	<b>(1,137)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure 2017/18 £'000	Gross Income 2017/18 £'000	Net Expenditure 2017/18 £'000		Gross Expenditure 2018/19 £'000	Gross Income 2018/19 £'000	Net Expenditure 2018/19 £'000
			<b>Service:</b>			
70,583	(45,877)	24,706	People - Children	76,487	(44,533)	31,954
60,967	(18,887)	42,080	People - Adult Social Care	62,263	(23,271)	38,992
14,446	(12,608)	1,838	People - Other	13,606	(12,286)	1,320
58,591	(22,868)	35,723	Places	59,639	(24,416)	35,223
60,699	(54,708)	5,991	Business Improvement	54,380	(48,702)	5,678
460	-	460	Fisheries and Courts	397	-	397
16,537	(3)	16,534	Non Distributed Costs (NDC)	(763)	(85)	(848)
11,311	(22,000)	(10,689)	Local Authority Housing (Housing Revenue Account)	20,696	(30,457)	(9,761)
-	-	-	Exceptional - Revaluation up of Housing Revenue Account assets	-	-	-
<b>293,594</b>	<b>(176,951)</b>	<b>116,644</b>	<b>COST OF SERVICES</b>	<b>286,705</b>	<b>(183,750)</b>	<b>102,955</b>
36,255	(97)	36,158	Other Operating Expenditure	6,751	(1,771)	4,980
10,853	(2,789)	8,063	Financing and Investment Income and Expenditure	10,726	(3,124)	7,602
-	(113,843)	(113,843)	Taxation and Non-Specific Grant Income	-	(124,706)	(124,706)
-	(48)	(48)	Share of Joint Venture Profit	-	(8)	(8)
<b>340,701</b>	<b>(293,729)</b>	<b>46,974</b>	<b>(Surplus) / Deficit on Revaluation of Non-Current Assets</b>	<b>304,182</b>	<b>(313,359)</b>	<b>(9,177)</b>
			(17,761) (Surplus) / Deficit on Revaluation of Non-current Assets			(12,896)
			(43,470) Actuarial (gains) / losses on Pensions Assets / Liabilities			(11,750)
			<b>(61,231) Other Comprehensive Income and Expenditure</b>			<b>(24,646)</b>
			<b>(14,257) Total Comprehensive Income and Expenditure</b>			<b>(33,823)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2018/19

	General Fund £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 1 April 2018</b>	<b>(7,636)</b>	<b>(26,292)</b>	<b>(33,928)</b>	<b>(580)</b>	<b>(11,751)</b>	<b>(5,998)</b>	<b>(27)</b>	<b>(52,284)</b>	<b>(249,897)</b>	<b>(302,181)</b>
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	(2,576)	-	<b>(2,576)</b>	(7,375)	-	-	-	(9,951)	-	(9,951)
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	-	(24,376)	(24,376)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,576)</b>	<b>-</b>	<b>(2,576)</b>	<b>(7,375)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,951)</b>	<b>(24,376)</b>	<b>(34,327)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations	(5,693)	-	<b>(5,693)</b>	7,375	586	297	(10,824)	(8,259)	8,260	1
Net (Increase) / Decrease before Transfers to Earmarked Reserves	<b>(8,269)</b>	<b>-</b>	<b>(8,269)</b>	<b>-</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(18,210)</b>	<b>(16,116)</b>	<b>(34,326)</b>
Transfers (to) / from Earmarked Reserves	8,149	(8,149)	-							
<b>(Increase) / Decrease in Year</b>	<b>(120)</b>	<b>(8,149)</b>	<b>(8,269)</b>	<b>-</b>	<b>586</b>	<b>297</b>	<b>(10,824)</b>	<b>(18,210)</b>	<b>(16,116)</b>	<b>(34,326)</b>
<b>Balance at 31 March 2019</b>	<b>(7,756)</b>	<b>(34,441)</b>	<b>(42,197)</b>	<b>(580)</b>	<b>(11,165)</b>	<b>(5,701)</b>	<b>(10,851)</b>	<b>(70,494)</b>	<b>(266,013)</b>	<b>(336,507)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	<b>(8,413)</b>	<b>(27,368)</b>	<b>(35,781)</b>	<b>(580)</b>	<b>(10,642)</b>	<b>(4,934)</b>	<b>(47)</b>	<b>(51,984)</b>	<b>(236,200)</b>	<b>(288,184)</b>	<b>5,734</b>	<b>(282,450)</b>
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	54,486	-	54,486	(8,370)	-	-	-	46,116	-	46,116	911	47,027
Other Comprehensive Income and Expenditure - Group CIES	-	-	-	-	-	-	-	-	(60,113)	(60,113)	(1,131)	(61,244)
<b>Total Comprehensive Income and Expenditure</b>	<b>54,486</b>	<b>-</b>	<b>54,486</b>	<b>(8,370)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,116</b>	<b>(60,113)</b>	<b>(13,997)</b>	<b>(220)</b>	<b>(14,217)</b>
Adjustments Between Accounting Basis and Funding Basis under Regulations	(52,634)	-	(52,634)	8,370	(1,109)	(1,064)	20	(46,416)	46,416	(0)	-	(0)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	1,853	-	1,853	-	(1,109)	(1,064)	20	(300)	(13,697)	(13,997)	(220)	(14,218)
Transfers (to) / from Earmarked Reserves	(1,076)	1,076	-									
<b>(Increase) / Decrease in Year</b>	<b>777</b>	<b>1,076</b>	<b>1,853</b>	<b>-</b>	<b>(1,109)</b>	<b>(1,064)</b>	<b>20</b>	<b>(300)</b>	<b>(13,697)</b>	<b>(13,997)</b>	<b>(220)</b>	<b>(14,218)</b>
<b>Balance at 31 March 2018</b>	<b>(7,636)</b>	<b>(26,292)</b>	<b>(33,928)</b>	<b>(580)</b>	<b>(11,751)</b>	<b>(5,998)</b>	<b>(27)</b>	<b>(52,284)</b>	<b>(249,897)</b>	<b>(302,181)</b>	<b>5,514</b>	<b>(296,667)</b>

## GROUP BALANCE SHEET

	Note	2018/19 £'000	Reinstated 2017/18 £'000
Property, Plant and Equipment		662,258	630,712
Heritage Assets		1,508	999
Investment Property		31,443	36,885
Intangible Assets		1,357	1,875
Assets held for Sale		-	-
Long-Term Investments		-	7,500
Long Term Debtors		1,939	2,179
Joint Venture Investments		72	64
<b>Total Long-Term Assets</b>		<b>698,577</b>	<b>680,214</b>
Short-Term Investments		40,131	37,125
Current Assets Held for Sale		-	-
Inventories		342	159
Short-Term Debtors		28,354	18,583
Cash and Cash Equivalents		3,150	4,564
<b>Total Current Assets</b>		<b>71,977</b>	<b>60,431</b>
Cash and Cash Equivalents - Bank Overdraft		(4,555)	(5,095)
Short-Term Borrowing		(8,778)	(1,218)
Short-Term Creditors		(40,509)	(42,843)
Grants Receipts in Advance - Revenue		-	(11,439)
Grants Receipts in Advance - Capital		(14,217)	(9,062)
<b>Total Current Liabilities</b>		<b>(68,059)</b>	<b>(69,657)</b>
Provisions		(8,268)	(5,824)
Long-Term Borrowing		(81,372)	(90,032)
Pensions Liability		(282,327)	(278,427)
<b>Total Long-Term Liabilities</b>		<b>(371,967)</b>	<b>(374,283)</b>
<b>Net Assets</b>		<b>330,528</b>	<b>296,705</b>
Usable Reserves		(72,483)	(54,267)
Unusable Reserves	5	(258,045)	(242,438)
<b>Total Reserves</b>		<b>(330,528)</b>	<b>(296,705)</b>

## GROUP CASH FLOW STATEMENT

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Net Deficit on the provision of services	9,169	(47,021)
Adjust net Deficit on the Provision of Services for Non Cash Movements	22,042	80,893
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(24,693)	(10,427)
<b>Net Cash Flows from Operating Activities</b>	<b>6,518</b>	<b>23,445</b>
Investing Activities	(8,289)	(32,428)
Financing Activities	898	1,869
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(873)</b>	<b>(7,114)</b>
Cash and Cash Equivalents at Beginning of the Reporting Period	(531)	6,583
<b>Cash and Cash Equivalents at End of the Reporting Period</b>	<b>(1,404)</b>	<b>(531)</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1. General

Following a review of the Council and its entities, it was agreed that the Council should produce Group Accounts for the first time for the period 2017/18 due to the materiality of the entities and subsidiary and the relationship with the Council.

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

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

The Group Financial Statements have been restated for 2017/18, due to the availability of the final audited 2017/18 accounts for Tricuro.

### 2. Accounting Policies

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

#### a. Basis of Identification of the Group Boundary

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

#### Subsidiary Boundary

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

#### Joint Venture Boundary

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

#### Materiality

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

Poole Housing Partnership	Subsidiary	Consolidated
Tricuro	Joint Venture	5% Consolidated

## **b. Basis of the Preparation of the Group Financial Statements**

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

Subsidiaries have been consolidated by:

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

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

### **3. Subsidiaries**

#### **Poole Housing Partnership**

Poole Housing partnership (PHP) is a company limited by guarantee without share capital and is managed by a Board, with day-to-day management undertaken by the executive officers.

PHP is a subsidiary of the Borough of Poole. The Company's principal activity is to manage and maintain the housing stock on behalf of the council. Turnover and operating profit arise solely from the housing management activities with the Borough of Poole.

The back funding element of the pensions fund deficit relating to staff that transferred to PHP remains the direct responsibility of the Housing Revenue Account and does not form part of the management fee paid to the Company. It is included within the Boroughs IAS19 totals.

### **4. Joint Venture**

#### **Tricuro**

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

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

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

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

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

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

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

## 5. Unusable Reserves

	<b>31 March 2019</b>	<b>Restated 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	(90,142)	(79,866)
Capital Adjustment Account	(448,688)	(438,802)
Joint Venture Net Assets	(72)	(64)
Deferred Capital Receipts Reserve	(219)	(244)
Financial Instrument Adjustment Account	(4)	-
Pensions Reserve	277,062	278,427
Accumulated Absences Account	944	1,147
Collection Fund Adjustment Account	(2,191)	(3,037)
<b>Total Unusable Reserves</b>	<b>(263,310)</b>	<b>(242,438)</b>



## **ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19**

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### **1 FORWARD**

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

### **2 SCOPE OF RESPONSIBILITY**

- 2.1 Borough of Poole was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and accounted for, and used economically, efficiently and effectively. The Borough also had a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging these overall responsibilities, Borough of Poole was responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.3 Borough of Poole adopted a Local Code of Governance, which summarises the Council's governance framework consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 2.4 This statement explains how the Borough of Poole complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

### **3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Borough was directed and controlled, and by which it accounted to, engaged with and led the community. It included arrangements to monitor the

achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.

- 3.2 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provided reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Borough's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 3.3 The governance framework was in place at the Borough of Poole for the year ended 31 March 2019.

## 4 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Borough of Poole had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review considered both in-year arrangements (3.1) and year end review processes (3.2) that took place to review the effectiveness of the Borough's governance framework.

### 4.1 IN-YEAR OPERATIONAL EFFECTIVENESS

The following aspects describe the **in-year, continuous elements** of the governance framework that helped to ensure the on-going robustness of governance arrangements of the Council.

1. **Decisions** taken, by both Councillors and Officers, in line with the Constitution and schemes of delegation.
2. The **Cabinet** and its **Portfolio Holders** were experienced Councillors who were responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.
3. **Overview and Scrutiny Committee** arrangements on the Council's themes of People, Place and Business Improvement were in operation.
4. The **Standards Committee** met during the year to consider and review issues relating to the conduct of Councillors including referrals from the Standards Board.
5. The **Audit Committee** met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's governance arrangements, risk management framework and internal control environment. In accordance with the Accounts and Audit Regulations 2015, the Audit Committee also reviewed the effectiveness of the Borough's system of internal audit. The Audit Committee had delegated approval to approve the Authority's Statement of Accounts.

6. The **Audit Committee** considered a variety of governance related reports during the year, including a breaches, waivers and exemptions report, whistleblowing, and counter fraud and corruption arrangements. Additionally, the Audit Committee reviewed and approves the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter. The Chief Auditor attended all Audit Committee meetings.
7. As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), Head of Legal and Democratic Services (Monitoring Officer) and Head of Financial Services (Chief Financial Officer) met approximately every two months as the **Statutory Officers Group**.
- **The Chief Executive** – was designated Head of Paid Service and functions included:
    - Overall strategic and corporate management and operational responsibility (including overall management responsibility for all officers);
    - Provision of professional advice to all parties in the decision making process;
    - Together with the Monitoring Officer responsibility for a system of record keeping for all the Council's decisions; and
    - Representing the Council on partnership and external bodies (as required by statute or the Council).
  - **The Monitoring Officer** – functions included:
    - Maintaining the Constitution;
    - Ensuring lawfulness and fairness of decision-making;
    - Supporting the Standards Committee;
    - Dealing with Complaints;
    - Proper officer for access to information;
    - Advising whether Cabinet decisions are within the Budget and Policy Framework;
    - Providing advice; and
    - Contributing to corporate management.
  - **The Head of Financial Services** – functions included:
    - Ensuring lawfulness and financial prudence of decision making;
    - Administration of financial affairs;
    - Contributing to corporate management;
    - Providing advice; and
    - Giving financial information.
  - The Council's Constitution contained a statement on '**The Role and Function of the Chief Finance Officer**'. This explained the role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements.
  - The Council's financial management arrangements conformed to the governance requirements of the CIPFA '**Statement of the Role of the Chief Financial Officer in Local Government**' (2016). The CFO and Monitoring Officer were formal co-opted members of the Council's Management Team.
8. **Management Team** met weekly and were responsible for:
- Managerial leadership vision and strategic direction of the Council;
  - Formally responding to Cabinet policy direction to fulfil the Council's corporate strategy;
  - Council wide policy and initiatives for Cabinet consideration;
  - Defining corporate culture and core values;
  - Ensuring the Council meets its statutory obligations;

- Exercising sound corporate governance and effective corporate resource management; and
- Ensuring the performance of the Council was managed effectively.

Management Team, together with the Head of ICT & Customer Support, Head of HR and the Programme Manager, met monthly as the **Corporate Change Board**. They were responsible for the coordination of the Council's major change programmes.

9. The officer **Property Steering Group** supported the organisation with delivery of the Corporate Property Strategy (including estate management, property maintenance and accommodation).
10. The Council's **Internal Audit** service:
  - Operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards (PSIAS).
  - Had a terms of reference and strategy for delivering the Internal Audit Plan agreed annually by Audit Committee.
  - Worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The annual Internal Audit Plan and progress was reported throughout the year to the Audit Committee. The plan was developed to enable an opinion to be given on the Assurance Framework approved by the Audit Committee and took into account the high risk issues, corporately and at service unit level, fraud risks, and key financial systems controls.
  - Undertook fraud investigation and proactive fraud detection work, as detailed in the Counter Theft, Fraud and Corruption Policy, which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Audit Committee.
11. Arrangements were in place in Service Units to record, monitor and mitigate risk. The **Corporate Risk Register** was updated quarterly following agreement at Management Team, and was reported to Audit Committee.
12. Governance arrangements for key **partnerships** were in place, including a governance checklist for significant new partnerships.
13. The **Complaints process** and **Data Protection Breach reporting** were designed to identify and address any weaknesses which may arise.
14. **External reviews and inspections** were carried out throughout the year and the results are reported appropriately and action taken where necessary (see 4.2e). These include Grant Thornton's **Audit Findings Report** which was considered by Management Team and the Audit Committee on behalf of the Council.
15. The Council continued to proactively **develop** and **update** governance arrangements, for example, developing robust Local Government Reorganisation programme governance arrangements.
16. Service Units used a range of measures to **monitor and report performance** to Strategic Directors and Portfolio Holders on delivering their business plans.

17. **Financial management** reports are received regularly by Cabinet.

#### 4.2 YEAR END REVIEW OF EFFECTIVENESS

The following describes the year-end review of the governance arrangements and the control environment which was largely structured around the areas set out in the Councils Assurance Framework shown in the table below:

		ASSURANCE SOURCE		RESPONSIBLE SERVICE UNIT/BODY		
AUDIT COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management		Financial/Growth & Infrastructure	
			Business Continuity		Financial	
			Business Planning/Performance Management/Partnerships		Corporate	
			Counter Fraud		Financial	
			Financial Management		Financial	
			Health & Safety		Environment & Consumer Protection	
			Human Resources		Human Resources	
			ICT		ICT & Customer Support	
			Information Governance		Legal & Democratic	
			Internal Audit		Financial	
			Management Assurance Statements		Service Unit Heads	
			Procurement		Financial	
			Project & Programme Management		ICT & Customer Support	
			Risk Management		Financial	
	EXTERNAL ASSURANCES	External Audit		Grant Thornton		
		External Reviews & Inspections		e.g. OFSTED		
		Regularity Bodies		e.g. Information Commissioner		
		Quality/Accreditation Schemes		e.g. Positive About Disabled People		
		External Benchmarking		e.g. CFO Insights		
	OTHER	Corporate Governance Disclosure Statements		BoP Statutory Officers		

- a. **Internal Audit.** A review of Internal Audit report findings and recommendations, particularly in relation to those carried out for the assurance areas listed above. *Note: As an Internal Audit review was conducted on a risk based sampling process and did not involve a review of every Council activity, transaction or project, the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.*
- b. **The Chief Auditor's Annual Report 2018/19** was reported to the Audit Committee. This stated that it was the opinion of the Chief Internal Auditor that arrangements are in place to ensure an adequate and effective internal control environment exists for those areas set out in the Council's Assurance Framework. The systems and internal control arrangements continue to be effective and agreed policies and regulations are complied with. Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls. Adequate arrangements are in place to deter and detect fraud.
- c. **Annual Management Assurance Statements (MAS)** are produced and signed off by Service Unit Heads in respect of governance and internal control issues.

d. The **statutory officers** (Chief Executive, Head of Legal and Democratic Services and Head of Financial Services) and **Strategic Directors** declare any areas of significant governance weakness they are aware of. **Statutory Officer Group and Management Team** considered the significant governance issues to be included on the Annual Governance Statement.

e. There were no significant governance issues arising from the following **External Audit** reports received during the year:

**Grant Thornton:**

- Audit Findings Report
- Annual Audit Letter
- Certification Report

f. Other **external inspections**, including the Independent Review of the Housing Management Function.

g. A review of fraud and special investigations carried out by Internal Audit during the year and the annual report on **Counter Fraud work** (received annually by Audit Committee in September).

h. The Council reached a good level of performance against the '**CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**'. This means the organisation put in place effective arrangements across many aspects of the counter-fraud code and took positive action to manage its risks.

i. Review of **Breaches, Waivers and Exemptions** of the Financial Regulations (received annually by Audit Committee in July).

j. Review of the **Corporate Risk Register** (received quarterly by Audit Committee).

k. Follow up of **2017/18 AGS Action Plan**.

## **5. EVALUATION, CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES**

5.1 Following review of effectiveness of governance arrangements, it is considered that, for the year ended 31 March 2019, the Borough of Poole had effective, fit-for-purpose governance arrangements in place which:

- supported delivery of its purpose, priorities, values and service objectives;
- were in accordance with the Borough's of Poole Local Code of Governance; and
- supported the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

5.2 While overall governance arrangements were considered sound, **one** significant governance issue, Information Governance, brought forward from 2017/18, was identified for inclusion:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan.

- 5.3 Information Governance will therefore be incorporated into the BCP AGS Action Plan, along with any relevant issues from legacy Bournemouth and legacy Christchurch councils.
- 5.4 No new significant governance issues for inclusion on the Annual Governance Statement were identified during the review.
- 5.5 The other issue raised in 2017/18, Safeguarding, has been removed as a significant governance issue for this year because the Council believes the governance arrangements for safeguarding are generally sound, kept under regular review and scrutiny, and improvements made where necessary.

This statement explains how the Borough of Poole complied with the requirements of the code and meet the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework and BCP has a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Signed \_\_\_\_\_ Date \_\_\_\_\_

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

Signed \_\_\_\_\_ Date \_\_\_\_\_

**V Slade - Leader of BCP Council**

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

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Borough of Poole (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

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

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

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

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Emphasis of Matter - Local Government Reorganisation in Dorset**

We draw attention to the disclosures made in note 7 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 7, the Authority ceased to exist on 31 March 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority's services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

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

Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

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

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 Borough of Poole in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of Bournemouth, Christchurch and Poole Council, as a body, in respect of Borough of Poole in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Bournemouth, Christchurch and Poole Council, those matters we are required to state to them in an auditor's report in respect of Borough of Poole and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bournemouth, Christchurch and Poole Council and the members of Bournemouth, Christchurch and Poole Council as a body, for our audit work, for this report, or for the opinions we have formed.

**Paul Dossett, Key Audit Partner**

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

## GLOSSARY

### **Accruals**

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

### **Borrow to Invest Schemes**

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

### **Capital Expenditure**

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

### **Capital Receipt**

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

### **Charging Authority**

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

### **Contingent Asset**

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

### **Contingent Liability**

A contingent liability is either:

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

### **Council Tax**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Debtors**

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

### **Deferred Capital Receipts**

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

### **Depreciation**

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

### **Fixed Assets**

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

### **General Fund**

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

### **Government Grants**

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

### **Housing Benefits**

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

### **Housing Revenue Account**

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

### **Infrastructure Assets**

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

### **Leasing**

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

### **Liquid Resources**

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

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

### **Minimum Revenue Provision (MRP)**

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

### **Non-Domestic Rates (NDR)**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Post Balance Sheet Events**

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

### **Precept**

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

### **Precepting Authority**

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

### **Projected Unit Method**

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable

service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

### **Provisions**

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

### **Public Works Loan Board (PWLB)**

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

### **Related Party Transaction**

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

### **Reserves**

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

### **Revenue Account**

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

### **Revenue Budget Comparison**

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

### **Revenue Expenditure**

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

### **Revenue Support Grant (RSG)**

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

### **Stocks**

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

### **Temporary Borrowing/Investment**

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

### **Work in Progress**

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