



Dorset
Council

Financial Statements 2022 - 2023

dorsetcouncil.gov.uk

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INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset Council for the period from 1 April 2022 to 31 March 2023.

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

The Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by four outcome-focused overview and scrutiny committees (the People and Health Overview/Scrutiny Committees, and Place and Resources Overview/Scrutiny Committees), the Joint Overview Committee and Joint Scrutiny Committee. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the council's five strategic priorities of:

- Protecting our natural environment, climate and ecology
- Creating stronger, healthier communities
- Creating sustainable development and housing
- Driving economic prosperity
- Becoming a more responsive, customer focussed council

Each of these committees meet, formally on a quarterly basis to provide the necessary support and challenge and when necessary, have the powers to call additional meetings. In addition, the Audit and Governance Committee provides oversight of the Council's conduct, financial, risk, performance and constitutional issues. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Planning Committees, School Appeals, etc.

Further details about the Council are available on the dorsetcouncil.gov.uk website .

Certification by Chief Financial Officer

I certify that these Financial Statements give a true and fair view of the financial position of Dorset Council and of its financial performance for the year ended 31 March 2023.

These Financial Statements for 2022/23 were authorised by the CFO for issue as a draft, subject to audit, on 14 December 2023 and authorised again at Audit and Governance Committee as a final, audited set of financial statements on 9 December 2024.



A handwritten signature in black ink that reads "Aidan Dunn." The signature is written in a cursive, flowing style.

Aidan Dunn
**Executive Director (Corporate Development)
(Chief Financial Officer)**

13 December 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Dorset Council ('the Council') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Statement of Movement in Reserves;
- the Cash Flow Statement;
- the related notes 1 to 55;
- the Collection Fund and related notes 1 to 3; and
- the statement of accounting policies – Appendix A.

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 2022/23 ("the Code").

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Council to publish its Statement of Accounts, together with an accompanying auditor's report for the year ended 31 March 2023 by 13 December 2024.

The Council was required by the Audit and Accounts Regulations (2015) to publish its draft statement of accounts for the year ended 31 March 2023 for public inspection by the first working day of June 2023. The Council published its draft Statement of Accounts on 15 December 2023. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items within the Statement of Accounts.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code 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 Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the Council and its control environment, and review the Council's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Council operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the Council for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work in respect of the Council's arrangements is not complete at the date of our report on the financial statements. We will report the outcome of our work on the Council's arrangements and include any additional exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report. We are satisfied that the remaining work is unlikely to have a material impact on the financial statements.

Respective responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work 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 2024, as to whether the Council had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller and Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Council's arrangements, will be reported in our separate Auditor's Annual Report.

Other matter on which we are required to report by exception

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

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit.

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

Reports in the public interest or to the regulator

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report). We are satisfied that our remaining work in this area is unlikely to have a material impact on the financial statements or on our value for money conclusion.

Use of our report

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



Ian Howse (Key Audit Partner)
For and on behalf of Deloitte LLP
Cardiff
13 December 2024

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Introduction

The Council was established on 1 April 2019 as part of the reorganisation of local government in Dorset brought about by the Bournemouth, Dorset and Poole (Structural Changes) Order 2018 (2018/648).

The accounts summarise the Council's performance and financial position for the year ended 31 March 2023. The Council is required to prepare the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015 (as amended), supported by International Financial Reporting Standards (IFRS), other statutory guidance and generally accepted accounting practices, as required by the CIPFA Code of Practice on Local Authority Accounting 2022/23.

Council plan

Dorset Council area has a population of 380,000 residents, 29% of whom are aged 65 and older (compared to 19% in England and Wales). Dorset is an attractive place, and many people choose to retire here. It has a large population of older people, and relatively low birth rates. Currently there are over 7,000 people in Dorset living with dementia, and the number is increasing. Younger people often move away from the area. The population continues to grow slowly, driven by people moving into the county and longer life expectancy. The greatest part of population growth is among over 65s. Dorset's working age population is expected to see a marginal decline over the next 25 years. The Dorset rural idyll can conceal hidden deprivation however. There are significant areas of deprivation, mostly in urban areas (mainly Weymouth and Portland) and also in the east of Dorset, in Ferndown, Wimborne, and Verwood. There is also significant rural deprivation, due largely to isolation and difficulty accessing housing, transport and essential services. Crime is generally low in Dorset, although anti-social behaviour and rural crime are an ongoing problem.

The plan focuses on five key priorities:

- Protecting our natural environment, climate and ecology
- Creating stronger, healthier communities
- Creating sustainable development and housing
- Driving economic prosperity
- Becoming a more responsive, customer focused council

Protecting our natural environment, climate and ecology

We will improve access to, and use of, Dorset's environment in a sustainable way which protects it for future generations. Dorset Council declared a climate and ecological emergency at its first full council meeting and in July 2021 adopted a strategy and action plan setting out how the council will respond. This commits us to taking direct action across our operations to become a carbon-neutral council by 2040, and through our wide-ranging services and partnerships, to facilitate the changes required for the whole of Dorset to become carbon-neutral by 2050, and to protect and enhance biodiversity across Dorset. Our focus will be on the continued decarbonisation of our fleet, expanding electric vehicle (EV) infrastructure, reducing the emissions from our estate and increasing renewable energy generation. We will continue to redefine and shape our policies in key areas to ensure that the council plays its part in accelerating change throughout Dorset, and will accelerate our engagement with residents, businesses and government, including sourcing additional external funds. Dorset Council will also work with others to help improve Dorset's natural environment, working towards a collective goal of 30% of land in positive management by 2030 in line with government targets. This will involve developing a Local Nature Recovery

strategy with partners, as well as taking action in areas such as reducing pollution, ensuring wildlife thrives and increasing conservation work to protect habitats. The council will also start to develop a better approach, with partners, to the issue of adaptation to climate change. Dorset Council's focus in this priority is ensuring that the council meets its net-zero target by 2040 and continues to contribute towards its wider leadership role in delivering the 2050 carbon and 2030 nature ambitions.

Creating stronger, healthier communities

We will enable our residents, working with partners, to develop strong networks of support and maintain strong communities. We will focus on the most vulnerable in our communities to improve wellbeing and reduce inequality through collaboration between public services, community leaders, residents and voluntary groups. The pandemic has intensified the challenges many vulnerable adults and our children and young people face, and there are widespread concerns about the impact on babies and the very youngest from lost learning, families facing job losses and diminished income, and the impact of social distancing and lockdowns on mental health and wellbeing. One of the most positive things to have emerged from the pandemic has been the speed and determination of communities, voluntary and community groups, town and parish councils, local shops, and other organisations to support those who need it. Government funding to local councils has reduced every year for over a decade now and the reality is that we cannot continue to provide everything residents, businesses and visitors want and need, so it is more important than ever that we find the best way of working together. We will do more to support and enable voluntary and charitable organisations who are providing valuable help and support and making a positive difference to our communities. Whether by volunteering for a local group, standing for your local town or parish council, donating to a local food bank, offering your time and expertise to a local initiative, or simply learning more about your local community, everyone can do something. We will continue to support new community groups and initiatives to help make this happen.

Creating sustainable development and housing

We will work with government, registered housing providers, community land trusts and local housing partners to deliver affordable, suitable and decent housing. We will ask for their support to help us promote our climate and ecological priorities by providing sustainable services such as rainwater harvesting, solar panels and other such approaches. We will take a different approach to Local Plan preparation by being far more strategic, including a two-year extension for having an approved plan. We will continue to work with Homes England and the New Communities Team to deliver a sustainable new settlement within Dorset. The council will receive and consider an annual report of performance in Dorset from all registered provider housing associations that manage more than 250 homes so residents can access suitable homes. The pandemic has put enormous pressure on housing services alongside the pre-existing shortage of suitable land for housing development and problems with the supply chain in the construction industry. As we see more people moving to Dorset, changing work practices are putting additional pressure on the sales and rental housing market. Working with partners and private owners will be critical in the coming months and years to prevent homelessness and reduce reliance on short term or poor-quality temporary accommodation. We are committed to supporting providers and private landlords in the increased provision of local rental properties in the same way we remain focussed on the provision of affordable homes for purchase. We will continue to monitor the impact of local housing being used for tourism such as holiday home rentals. This is in addition to our response to the use of local housing for second homes and the impact this has on the local economy.

Driving economic prosperity

We will support sustainable economic growth across the county, enabling high-quality jobs through improvements to productivity, sustainability, and accessibility, creating great places to live, work and visit. We will drive forward a plan whereby Dorset Council is a catalyst for prosperity and growth, working with and supporting local businesses and partners. We will focus on supporting social mobility and protection of the environment. We will address Dorset's particular challenges related to its demographics and will be aware of Dorset's unique landscapes. We will also challenge low productivity and lower than average skills. We will create the right conditions to grow a highly skilled workforce matched to high-quality jobs, helping businesses stay, start, grow, and move to Dorset. The pandemic has had a significant impact on Dorset's economy, though precisely what those impacts are, and how long they will last, will take years to fully understand. The council has worked hard to ensure local businesses have received government grants, distributing over £250m in just 12 months. The pandemic has also accelerated flexible and remote working for many people, and this has the potential of supporting Dorset's low-carbon economy and promoting digital skills in future. We will work together to build on these opportunities, driving the roll out of 'gigabit-capable' coverage and 5G to enable people to travel less and access opportunities online so that Dorset's economy can become stronger and more environmentally sustainable.

Being a more responsive, customer focused council

We will continue to be responsive, fair, and efficient in how we deliver services to our customers by listening and learning from their experiences. We will strive to constantly improve with an emphasis on innovation and working with you in a collaborative approach. We refer to all the people we work with, support and work for as 'our customers'. This includes all individuals, families, groups, and businesses that interact with the council or one of its partners. We will continue to modernise the way we operate to ensure we are efficient, accessible for residents and achieve the best value for money. We will improve the way we respond to residents, businesses, partners, and visitors by simplifying and joining up the ways we work as much as we can, using data to help us make decisions. We will ensure residents, businesses, partners, and visitors are able to access the information and support they need quickly and easily, using new technology to provide a better online experience and join up their dealings with the council. Equally, we want to attract the most skilled people to work with us and will use opportunities that remote working has provided during the pandemic to do this. We will work closely with our communities to engage and involve them in decisions that impact them. We will pilot a place-based, community-led approach to improve social mobility and other outcomes in Weymouth & Portland through the Stronger Neighbourhoods project.

Budget and performance

The Council set the 2022/23 net budget at £331.6m, funded from general grants (£6.3m), business rates (£46.3m) and council tax (£279m) meaning a band D equivalent council tax charge of £1,832.67. An improvement in the financial settlement from Government and the release of resources from support services through reorganisation meant that considerable extra funding was added to budgets for front line services.

Table 1, below, shows the summary outturn for the Council compared with its budget. The analysis shows that overall, service budgets were overspent by £7.041m, whilst there were underspends and offsetting savings in financing and central budgets of £5.368m, meaning that overall, there was a net call on the general fund of £1.673m. The analysis of

Narrative Statement

performance against budget and how this feeds through to movements in the Council's general fund is shown in the expenditure and funding analysis (EFA).

Reconciling numbers is also a tricky business when so many of them are used for such varying purposes in this report. It might therefore help the reader to note that the *draft outturn* figures in table 1 can also be seen in the *reported in management accounts* line in the segmental analysis (note 7 to the accounts) which in turn reconciles to the *deficit on provision of services* disclosed in the comprehensive income and expenditure statement (the Children's Services figure is a combination of DSG and Council budget totals).

Table 1

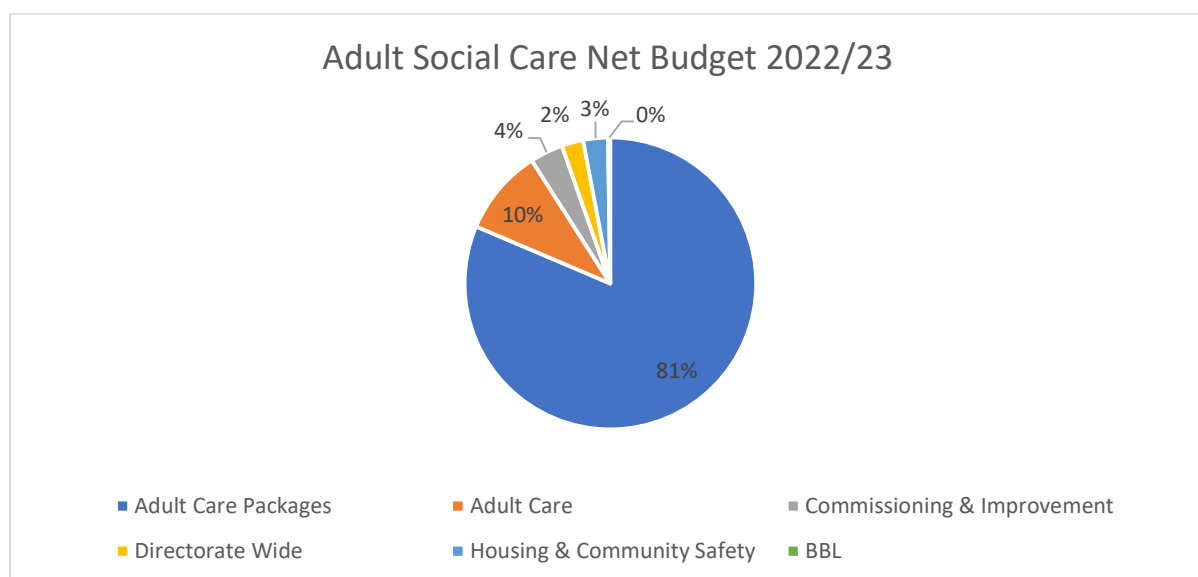
The general fund started the year at £33.0m and the impact of the activities was £1.673m. As part of the budget 2023/24, cabinet agreed to raise the level of the general fund to £34.75m and this was achieved through the repurposing of other reserves.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	149,481	152,420	(2,939)	(2.0%)
People - Children's	77,847	78,682	(834)	(1.1%)
Place	75,763	81,132	(5,369)	(7.1%)
Corporate Development	29,581	27,967	1,614	5.5%
Legal & Democratic Services	6,274	5,788	486	7.7%
Public Health	3,002	3,002	0	0.0%
Total Service Budgets	341,949	348,990	(7,041)	(2.1%)
Central Finance	(358,770)	(364,138)	5,368	(1.5%)
Whole Authority	(16,821)	(15,148)	(1,673)	

People - Adult and Housing

People - Adult and Housing is the largest spending directorate in the Council. The approved, net revenue budget for 2022/23 was £149.5m with a total outturn of £152.4m resulting in a £2.939m overspend for the Directorate. The largest element of the budget, £121.6m (81%) is for Adult Social Care (spend on packages of care) as shown in Chart 2 below.

Chart 2



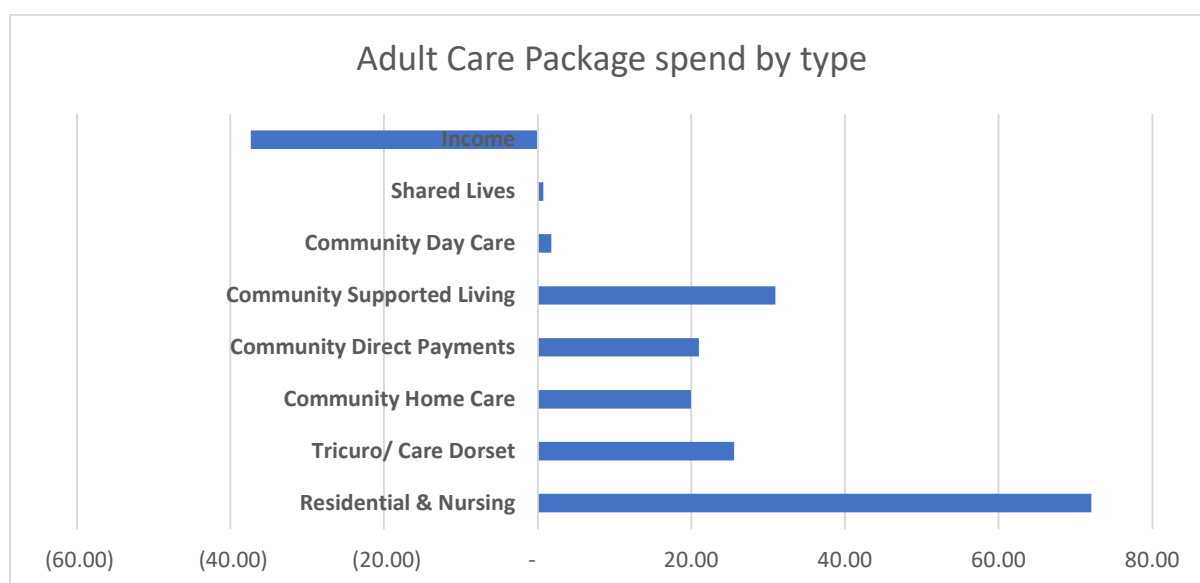
Narrative Statement

The Adult Social Care budget supports approximately 3,925 people on an annual basis and provides approximately 3,900 services.

In line with national trends, the cost of adult social care services in Dorset continues to rise. The spend relating to Adult Care Packages in year was overspent by £2.11m, the key factor being the continuation of the legacy Hospital Discharge Programme. This was caused through a mixture of increased complexity of packages as well as an increase in price.

Chart 3 shows where this was spent.

Chart 3



The overspend within Adult Care Packages was offset by underspends across the Directorate particularly within Adult Care Operations staffing budgets giving a net overspend on Adult Social Care of £805k (0.54%). This is a positive outcome for a demand-led service operating in an ever-changing environment.

The other area of pressure was Housing which had an overspend of £2.134m (1.43%). This overspend is attributable to the Council needing to pick up the widened Housing Benefit Subsidy shortfall on B&B accommodation used for homelessness. This is adverse because of the impact of increased demand and increased charges and rents for such accommodation. Front door homelessness demand is up by 28% from this time last year and this is expected to continue.

Performance in homelessness prevention is strong, but the increased demand means that Bed and Breakfast and other expensive nightly rate accommodation is still being required at charges which are punitively high. Charges are rising from the private landlord and B&B sector, whilst Local Housing Allowance remains frozen at 2011 rates (meaning that the cost of the shortfall is picked up by the Council). Due to the attractiveness of AirBnB and holiday lets, it is increasingly expensive to secure rented accommodation in the private rented sector. Housing Association lettings are at a good level (around 1000 a year) but are not sufficient to meet demand.

To meet the high increases in demand and costs, plans are being prepared to scale up and transform the work on prevention of homelessness and also to increase the supply of better priced non B&B accommodation (including proposals to make better use of Council assets and land, but to operate from several approaches, such as Government grants, leases with private providers and Housing Associations). Prevention of homelessness is the key result,

Narrative Statement

but the financial mitigations are primarily linked to finding alternatives to the high net cost accommodation, such as B&Bs, which are delivered with a smaller subsidy gap

Adults and Housing have delivered £3.705m of transformation and tactical savings during the year with a total of £10.3m over the last two years.

Improved Better Care Fund (iBCF) monies totalling £12.451m were received in 2022/23. These formed a part of a system-wide BCF plan, developed by the Integrated Care Board (ICB) and the local authorities under the governance of the Dorset Health & Wellbeing Board.

The national guidance for the BCF requires the Integrated Care Systems and the County Council to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents. The combined funds totalled £139.166m with Dorset Council contributing £74.594m as shown in table 2, below.

Table 2

Summary of Expenditure 2022/23 (£)	CCG	LA	Grand Total
High Impact Changes Implementation/ Supported Hospital Discharge	5,838,499	3,316,243	9,154,742
Maintaining Independence	7,688,671	8,200,364	15,889,035
Moving on from Hospital Living	3,635,761	1,213,000	4,848,761
Strong and sustainable care markets	25,710,085	61,863,909	87,573,994
Carers	1,112,941	-	1,112,941
Integrated health and social care locality teams	20,586,823	-	20,586,823
Grand Total	64,572,780	74,593,516	139,166,296

The economic situation continues to be challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to those in need of assistance. The Directorate is committed to further cost reductions in the future to balance the budget through transformation of services.

People - Children's Services

The Children's Services outturn was £78.682m compared with a net budget of £77.847m, an overspend of £0.835m (1.1%). This is a positive outcome for a demand-led directorate operating in an ever-changing environment.

The Quarter 3 forecast indicated a £1.73m overspend, so there was an improvement of £0.958m between the last predictions reported to Cabinet and the draft outturn. The narrative below considers major variances from budgets during the year as well as any risks or other factors that need to be considered in the next iteration of the MTFP.

The national overspending position for external placements is also true at Dorset Council. This area overspent by £2.9m, excluding £0.5m for Asylum Seeking children, despite numbers of children in care falling, excluding our unaccompanied asylum-seeking children:

Narrative Statement

	April 2022	March 2023	Change
Children in Care (excluding UASC)	434	404	-30
Unaccompanied Asylum-Seeking Children (UASC)	23	34	+11

Source: Monthly Financial Tracker

The external placement overspend has been balanced by in-house fostering and in-house residential underspends by £2.9m. There are pressures within the Children With a Disability (CWAD) area for all services (£0.7m).

Some of the overspends have been offset by carefully managing vacancies and agency budgets, increases in grants, other funding, and underspending non-pay budgets.

Directorate also delivered £4.3m (93%) of targeted transformation and tactical savings during the year.

However, there are risks within the 2022/23 budget that will require careful monitoring and management. Risks include capital project delays and the subsequent impact on revenue budgets, inflation (particularly for placements and externally provided services), the Social Care reforms and the delivery of transformation and tactical savings.

Dedicated Schools Grant (DSG)

The DSG was overspent by £19.97m. The grant is split into four blocks, with the High Needs Block (HNB) overspending by £19.3m, and the Early Years Block (£0.66m) with an underspend in the Central Services to Schools Block (£0.04m). The Schools Block had no variance.

The outturn position is over the required Safety Valve 2022/23 DSG outturn position by £9m. In March 2022, the Department for Education (DfE) and Dorset Council signed a £42m agreement to eradicate Dorset's cumulative DSG deficit by 2025/26.

The cumulative DSG deficit, including the 2022/23 overspend, application of all tranches of Safety Valve funding and Dorset Council funding, is £35.9m. Without the support this would be £64m.

Consequently, the Department for Education (DfE) are currently in discussions with Dorset Council about the Safety Valve agreement and returning to a balanced financial position.

Capital delays are a significant reason for the financial position.

The historical DSG deficit is a long and well-documented risk stemming from a change in government legislation in 2014. The number of children who require an Education Health and Care Place (EHCP) continues to rise and coupled with Dorset Special Schools reaching capacity, has seen an increase in the use of generally more expensive special school places.

This picture has been mirrored nationally. The County Council Networks (CCN) estimates that if no changes are made, the deficits built up in the system meeting the statutory demands from the 2015 reforms would reach £3.6bn by 2025.

In response to the national challenges, in March 2023 the government released the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan.

Narrative Statement

The SEND and AP Improvement plan sets out measures for reforming the SEND system, following consultation on last year's SEND Green Paper - Right Support, Right Place, Right Time. The reforms will seek to deliver greater consistency in provision across the country, and link closely with the recently announced Children's Social Care reforms.

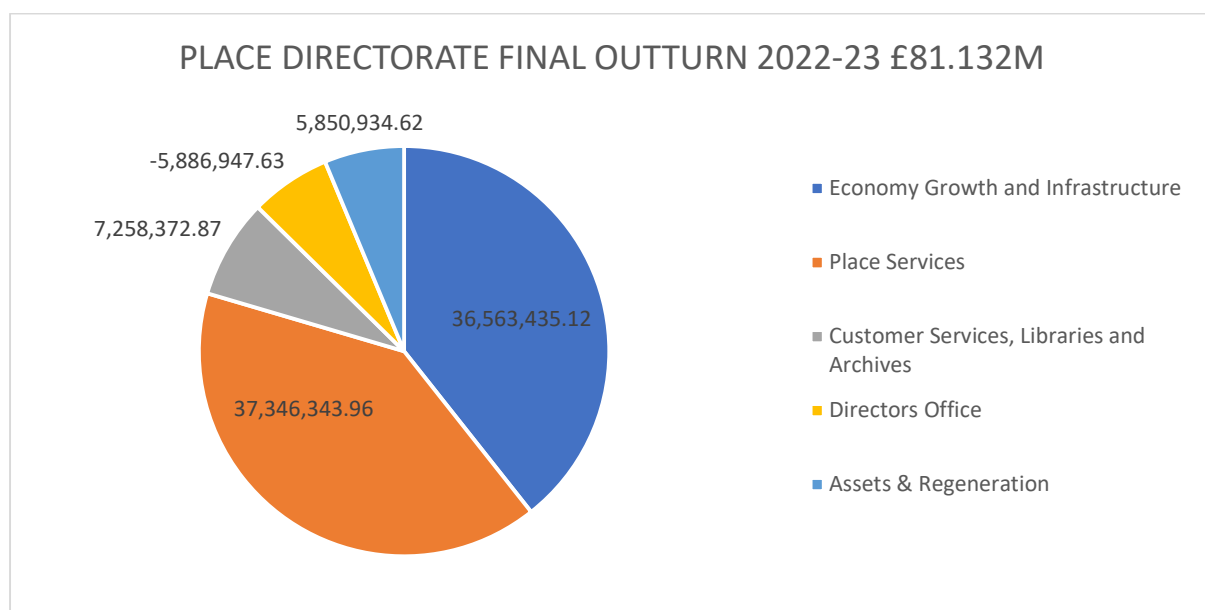
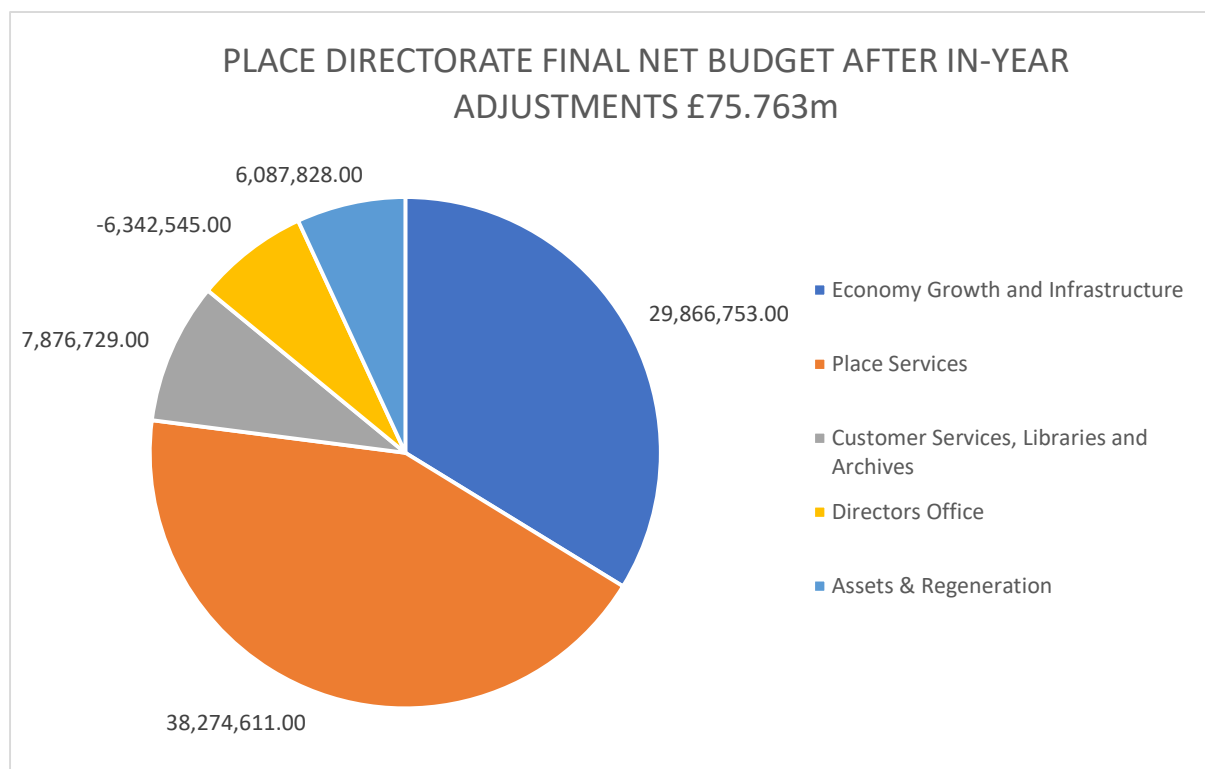
- 1.1 The 'mission' of the plan is to setup a new SEND and alternative provision national system with a three-fold aim:
 - a. Fulfil children's potential: children and young people with SEND (or attending AP) enjoy their childhood, achieve good outcomes and are well prepared for adulthood and employment;
 - b. Build parents' trust: parents and carers experience a fairer, easily navigable system (across education, health and care) that restores their confidence that their children will get the right support, in the right place, at the right time;
 - c. Provide financial sustainability: local leaders make best use of the high needs budget to meet children and young people's needs and improve outcomes, while placing local authorities on a stable financial footing.
- 1.2 Although the reforms will take time to implement, Dorset Council and partners need to be ahead of the curve, especially regarding the Safety Valve and for our children and young people.

Place Directorate

The service areas within the Place Directorate include Assets & Property, Highways, Planning, Dorset Travel, Waste, Fleet Services, Community & Public Protection, Coast and Greenspace, Flood and Coastal Erosion Risk Management, Leisure Services, Harbours, Customer Services, Libraries & Archives, Economic Growth and Business Support.

The final Place Directorate net budget for 2022/23, after in-year adjustments, was £75.763m, and the final net spend was £81.132m, an overspend of £5.369m. This is shown in the charts below.

Chart 5



Financial monitoring from early in the year indicated that Place Directorate was going to suffer adversely from a number of factors: the wider economic climate including rising inflation affecting contract costs, the fuel cost crisis of summer 2022, escalating costs within the Dorset Travel sector and SEND transport in particular, and over-optimistic budgets relating to car parking income.

Assets and Regeneration

The Assets and Property budget ended the year with an underspend of £237k. Assets and Regeneration budgets were affected by a wide range of issues including historic savings

targets that were included in the budget and not achieved, loss of income in respect of staff car parking and café, underspends in the postage budget and County Hall utility costs. Staff vacancies contributed significantly to the underspend position. In addition, unbudgeted rental income, in particular for South Walks House and Coombe House, also made a significant contribution.

Economic Growth and Infrastructure

The Highways service ended the year at £2.4m overspent. This is not related to an overspend in expenditure but almost entirely relates to Parking Services income underachieving against the income target, indicating that the income budget was set at a level that was too ambitious. Actual car parking income was up by circa £450k on the previous year for the central Parking Services account, and circa £650k up on the previous year if taking into account the income that was moved into the West Bay harbour account for the first time in 2022/23. Highways operations and infrastructure saw increases in costs around electricity which was offset by additional income from road closures and also vacancy management.

The Planning Service ended the year at £638k overspent, broadly in line with the expectation due to the issues flagged during the year, mainly the inability to recruit staff and the subsequent need to spend on agency staff, and income levels underperforming against the budget.

Dorset Travel ended the year at £3.721m overspent, after an injection of £0.800m during the year from the Commercial Board. All aspects of the Travel budget – public transport, mainstream school transport, and SEND transport – saw significant cost increases due to the nature of the market, being significantly affected by driver shortages, rising wages, general inflation, and in many cases contracts being handed back and then re-let at significantly higher cost. This remains a significant concern heading into 2023/24.

Place Services

Environment and Wellbeing budgets ended the year at £173k underspent, largely due to favourable income performance in grounds, landscaping, greenspace and country parks.

Community and Public Protection (CPP) budgets ended the year at £61k overspent. Notable adverse variances were incurred in the cost of contributing to the Coroners service and the running of Dorchester Market, and partially offset by favourable variances in vacancy management and income, with particularly good income in Registration Services.

Waste – Commercial Waste and Strategy ended the year at almost £1.3m favourable. Income earned for waste recycle was very favourable during the early part of 2022/23 although has since worsened considerably. Trade waste and garden waste services also performed well.

Waste Operations including Dorset Council fleet services ended the year at £458k adverse. This is largely caused by the fleet budget, and primarily by the vehicle fuel crisis of summer 2022.

Customer Services, Archives and Libraries

Customer Services, Archives, and Libraries collectively ended the year at £618k underspent, largely in the areas of Customer Services and Libraries around pay related costs, due to vacancy management and a significant recharge to reflect efforts under the governments Homes For Ukraine scheme.

Directors Office

The Directors Office ended the year at £456k overspent, picking up unfunded costs for historical Weymouth Harbour capital spend, the cost of the Tour Of Britain event, and unfunded interim costs.

Context for the Place Directorate services

The Place Directorate has many diverse services it delivers to the community.

- Approximately 1,800 staff work in the Directorate. The exact number fluctuates due to the need for some seasonal employment.
- The Waste team provides waste collection and disposal for over 200,000 properties, businesses and the local community in the Dorset Council area, plus street cleansing, commercial waste services and running Household Recycling Centres.
- Fleet Services are responsible for the procurement and maintenance of the councils vehicle and plant fleet at 5 workshop locations across the county.
- Highways is responsible for maintaining 3,798km of carriageway and 1,336 other structures including bridges. The team also manages 47,854 streetlights, illuminated signs and bollards. The Highways Team also manages all of the Council's on-street and off-street car parking operations.
- Dorset Travel manages travel for over 10,000 passengers per day, on over 500 routes covering schools.
- The Assets & Property service manages and maintains, for safety, compliance and operational continuity, an estate of over 1,400 property assets which include 450 commercial assets. We secure, very broadly, in excess of £10m income from our estate and commission and deliver capital projects/expenditure in excess of £20m each year.
- The Planning service would expect to receive approximately 5,000 planning applications per annum.
- Community & Public Protection provides a range of services including Registrations; Bereavement; Coroners; Trading Standards, Licensing & Community Safety; Environmental Protection & Food Safety and Port Health.
- For the year, Registrations registered 1,744 births and 3,785 deaths and conducted 1,066 marriages and 89 civil partnerships.
- Due to the pandemic and the need for Food Safety Service staff to deal with around 1,600 complaints, enquires regarding Covid and the investigations of Covid outbreaks with PHE, the food inspection programme was suspended by the FSA and the service was asked to prioritise new businesses/ high risk premises and official controls to ensure that food is safe to eat.
- Customer Services provide information and advice, signposting to community resources, completing applications, processing payments and promoting on-line services through telephony, face-to-face, email and digital channels. It is the 'front door' for many Council services, resolving much of the customer demand at first point of contact. Customer Services handles over 300,000 contacts a year ranging from transactional requests to complex enquiries such as adult social care.
- Archives and Records acquires, preserves and provides access to corporate information on the one hand and cultural heritage on the other. The service manages both hard copy and digital records on behalf of council services and the public alike. Archives and

Narrative Statement

Records also supports museum development, the Historic Environment Record and the Portable Antiquities Scheme.

- **Library Service.** Dorset Council's statutory library service is made up of: 23 council run libraries, a 24/7 online library service (offering e-books, audio books, e-newspapers, e-magazines) and a home library service, which delivers services to house bound residents. We also support eight community managed libraries who provide library services outside of the statutory service, resulting in a rich network of 31 libraries across the Dorset Council authority area. Our libraries connect communities, improve wellbeing and promote equality through our early years programme, learning, literacy and cultural activity. To ensure we meet the needs of our communities and contribute to the Council's Priorities, we are developing a new Library Strategy in partnership with communities and partners. Our strategy will design a sustainable and modern future library service with a vision looking at 2030 and beyond. In 2021 we introduced customer service points in libraries to provide essential access to council services locally. We are now playing an important role in the council's hub approach to connect residents with relevant local council, health and community services. Libraries have been a lifeline to many over the last 12 months, providing, connection and support, we had over 66,000 participants in our hybrid activities and events programme this year, delivered online and in person. Our libraries cater for the digital age by providing modern IT and supporting the development of digital skills through digital champions.
- The Economic Growth & Regeneration team assist many businesses within the Dorset Council area, and particularly so over the past year to assist recovery from the impact of the Pandemic through the delivery of business support grants and information.
- Leisure Services manage seven owned or operated Leisure Centres with over 6,000 members paying monthly.
- Is responsible for three harbours (Weymouth, West Bay and Lyme Regis) as well as coastal and flood defence assets and infrastructure.
- Greenspace is also responsible for maintaining almost 4,828km of Rights of Way and thousands of km of highway verge. The Service also manages four country parks (Moors Valley, Avon Heath, Durlston and Thorncombe Woods), and 1,418 square km of areas of outstanding natural beauty, covering 55% of its total land area, 141 sites of special scientific interest, covering 18,730 hectares, 14 national nature reserves – Local reserves such as Thorncombe Woods, 59 regionally important geological and geomorphological sites (with further sites under consideration), 1,294 sites of nature conservation interest, 95 km of heritage coast and 112 km of the Jurassic Coast World Heritage Site.
- 86% of British mammal species can be found in Dorset, along with 69% of our birds, 78% of our butterflies, 67% of our dragonflies and all of our native reptiles and amphibians.

Corporate Services

Corporate Services is the collective name for services across Corporate Development and Legal and Democratic Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.

Narrative Statement

The net budget for Corporate Services was £35.8m and the in-year performance was an underspend of £2.1m. There were additional costs associated with the dissolution of the Stour Valley & Poole Partnership for the Revenues and Benefits service, however, these have been offset by savings achieved through vacancy management, accounting changes to ICT contracts and additional income.

Developing the 2023/24 budget

2023/24 was the fifth budget for Dorset Council. The improved settlement from Government and the resources released from support services through reorganisation meant that considerable extra funding could be added to budgets for front line services. The updated Dorset Council financial strategy statement was updated and presented to Cabinet on 21 June 2022.

For 2023/24 Dorset Council set a net budget of £347.6m, funded from general grants (£4.6m), business rates (£50.2m), revenue support grant (£0.7m) and council tax (£292.1m) meaning a band D equivalent council tax charge of £1,905.93.

Future funding prospects

Development of the next iteration of the MTFP will be extremely challenging, especially against the potential backdrop of a single-year spending review mentioned elsewhere.

There is therefore considerable uncertainty even in the first year of the plan being developed, as there is currently a significant amount of funding which is still not incorporated into the Council's baseline funding but is instead rolled-forward as one-off funding.

Borrowing, servicing of debt and liquidity

The Council's overall borrowing stood at £200m at the end of the year, a net increase of £17m during the year. The maturity profile of the Council's borrowing is within the limits set out in the treasury management strategy and includes £41m of borrowing repayable within the next 12 months from the balance sheet date. The average interest rates payable on borrowing were 4.12% on loans from the Public Works Loan Board (PWL) and 4.04% on loans from other lenders.

Interest payable on external debt (including PFI and leases) during the year was £8.2m and interest receivable plus other investment income was £4.7m.

The prudential borrowing framework allows councils to borrow for capital investment without Government consent, providing they can afford to service the debt. Details of the Council's capital financing requirement is set out in note 25 to the accounts.

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

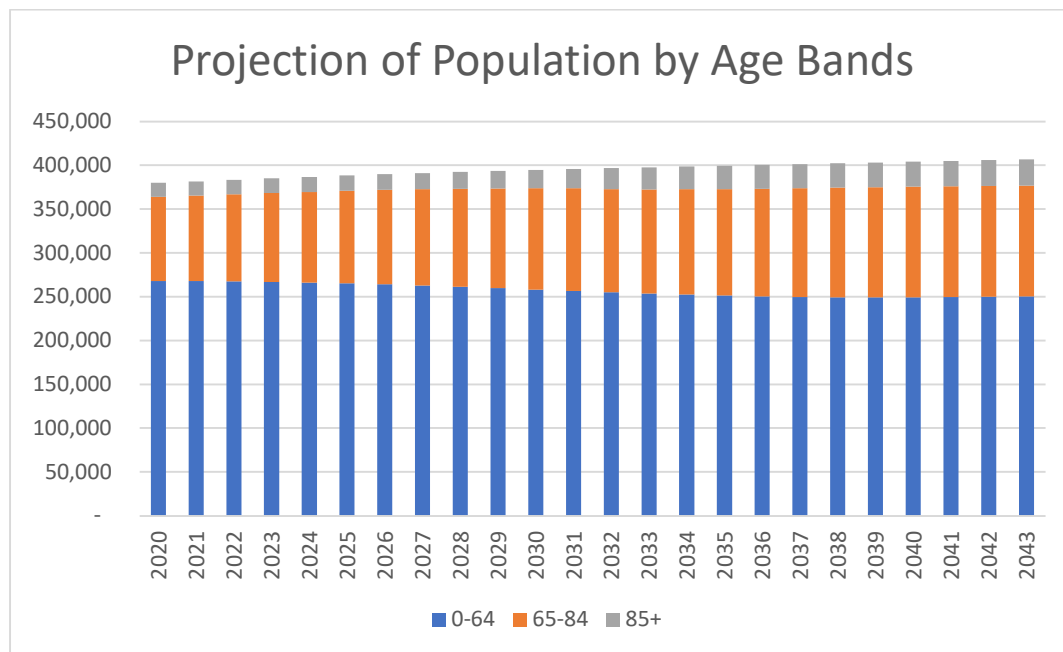
More information on debt and liquidity is routinely included in reports to the Council's Cabinet and Audit & Governance Committee. All reports are available on the website.

Population Data

The Council provides services to a total estimated population of 384,074 (2022 being 383,375), with the projection for 2024 being 386,725.

Projections summarised in chart 6 show the population of Dorset's residents with an estimated 26% being between 65 years of age and 84 years of age, and 4% being over 85 years of age in 2023. These numbers are steadily growing, with an estimated 31% being between 65 years of age and 84 years of age and 7% over 85 years of age by 2043.

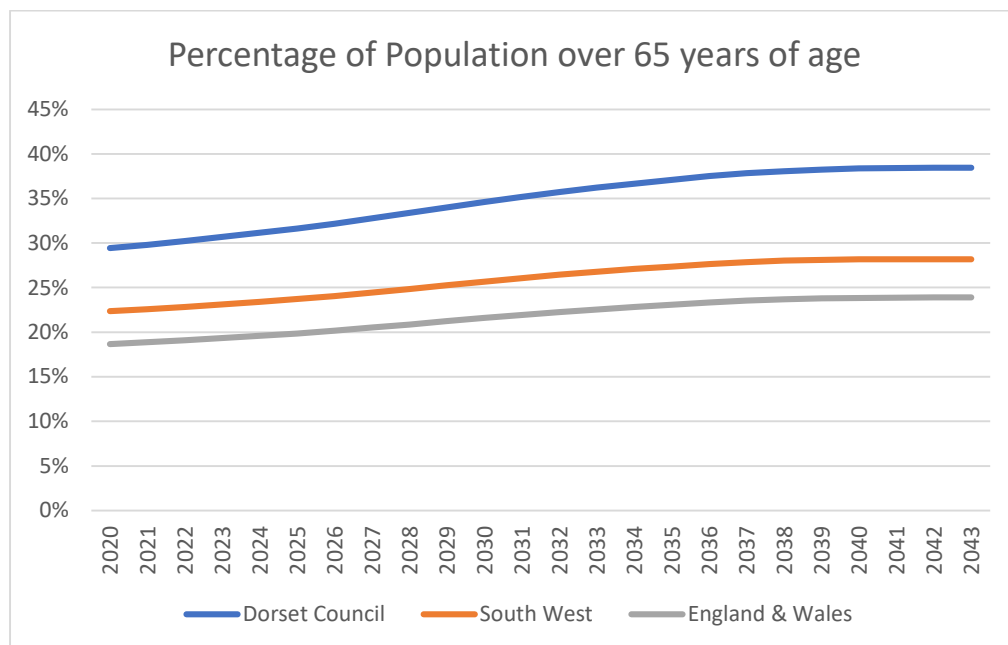
Chart 6



Source: 2018 Population Projections, Office for National Statistics (ONS)

The percentage of the population over 65 between 2020 and 2043 in the area served by Dorset Council is shown in chart 7. Compared with the South West as well as England & Wales, a larger proportion of the population served by Dorset Council is older.

Chart 7



Source: 2018 Population Projections, Office for National Statistics (ONS)

Narrative Statement

The average, full-time earnings for the area served by the Council is shown in chart 8, below, compared with the South West and with England & Wales. The full-time earnings for Dorset are lower than for the South West, and lower than for England & Wales.

Chart 8

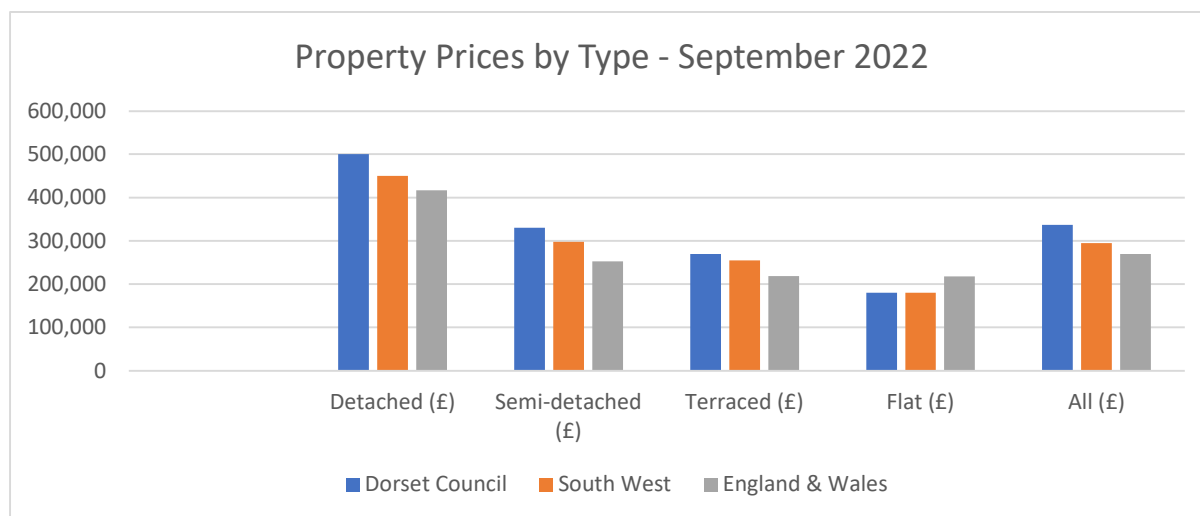


Source: ONS Crown Copyright Reserved [from Nomis on 29 March 2023]

Narrative Statement

The average price of properties in the area served by the Council is shown below, in chart 9, compared with the South West and with England & Wales. The average price of properties is higher than the South West region, and higher than for England & Wales, except for flats.

Chart 9



Source: House Price Statistics for Small Areas (HPSSAs), Office for National Statistics

Reserves and balances

A full analysis of the Council's reserves is provided in the financial statements and in the notes to the accounts.

The Council closed the year with usable reserves of £297m.

The vast majority of the Council's reserves are already earmarked for specific purposes or can only be used for certain types of expenditure and is therefore not available for general use (despite the generic description *usable reserves*). Use of reserves would also be unsustainable for the Council as part of budget setting strategy and this is specifically mentioned in the reserves strategy statement.

The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose) is set out in note 49 and amounts to £34.75m as agreed by Cabinet when the 2023/24 budget was agreed.

Provisions, contingencies and contingent assets

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

Changes in statutory functions

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

Group financial statements

Having considered the relationships that exist between the Council and partners with whom it operates jointly/together, the chief Finance Officer has concluded there is no material requirement to prepare consolidated financial statements.

Events after the balance sheet date

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

Pension Fund

Dorset Council is the local administering authority for the Local Government Pension Scheme (LGPS), a contributory, defined benefit pension scheme that provides pensions and other benefits for employees of Dorset Council, other councils and a range of other bodies within Dorset.

Benefits for scheme members are calculated based on factors such as age, length of membership and salary, and are funded by contributions from scheme members and their employers and from returns on contributions invested prior to benefits becoming payable.

Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities.

Administering authorities are required to maintain a pension fund for the payment of benefits, and annual accounts for the pension fund are included as an appendix to these financial statements.

The Council is the scheme's largest employer in Dorset with 6,800 current employees contributing to the scheme, 11,000 former employees of the Council or its predecessor authorities receiving pensions and 12,800 'deferred pensioners' (former employees who will receive pensions in the future).

As at 31 March 2023, the pension fund's assets were valued at £3.5bn in total, with Dorset Council's 'share' available to fund benefits estimated by the actuary to be approximately £1.3bn.

Every three years, the actuary undertakes a full assessment of the funding position for all scheme employers to set their contribution rates for the next three years. The last such actuarial valuation was based on assets and liabilities as at 31 March 2022 and estimated Dorset Council's deficit (the difference between assets and liabilities) to be approximately £75m, recoverable through employer contributions over 13 years.

In addition, the actuary is required, every year, to undertake an indicative assessment of the funding position for disclosure in the accounts of scheme employers. Accounting standards require this assessment to assume that the return on the pension fund's investments is equal to the expected return from high quality corporate bonds which can vary significantly from the expected returns from the pension fund's actual portfolio of investments. This means that the deficit reported in the accounts can vary significantly from the triennial valuation used to set contribution rates and the Council's accounting deficit was estimated at £298m as at 31 March 2023.

Basis of preparation

The accounts for 2022/23 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2022/23

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2023. This includes an interpretation of the financial statements, providing information on the major influences affecting the

Narrative Statement

Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

Dorset Council's primary financial statements comprise:

i) Comprehensive income and expenditure statement

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

ii) Balance sheet (statement of financial position)

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

iii) Movement in reserves statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves. The movement in reserves statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the movements in the general fund in the year following those adjustments.

iv) Cash flow statement

The cash flow statement shows the changes in the Council's cash and cash equivalents in the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Narrative Statement

v) Notes to the financial statements

These give further information and explanations of the figures in the primary financial statements.

vi) Collection fund

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



Aidan Dunn

Executive Director, Corporate Development

Chief Financial Officer

13 December 2024

A handwritten signature in black ink that reads "Aidan Dunn." The signature is written in a cursive, flowing style.



Councillor Gary Suttle

Chair, Audit and Governance Committee

13 December 2024

A handwritten signature in black ink that reads "Gary Suttle". The signature is written in a cursive, flowing style.

STATEMENT OF RESPONSIBILITIES

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

The Authority's responsibilities

The Authority is required to:

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

Further information about policies, procedures, publications and contact details for the Council and other relevant local authorities can be found on the dorsetcouncil.gov.uk website.

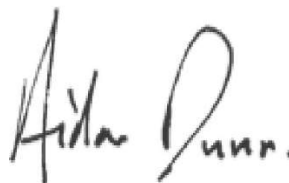
The Chief Financial Officer's responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2023 and of its income and expenditure for the year then ended.



Aidan Dunn
Executive Director (Corporate Development)
(Chief Financial Officer)

Statement of Accounts

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

2021/22				2022/23		
Gross Spending £'000	Gross Income £'000	Net Spending £'000		Gross Spending £'000	Gross Income £'000	Net Spending £'000
162,525	57,965	104,560	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	181,595	56,535	125,060
21,762	4,580	17,182	Adult Care Service User Related	18,236	4,977	13,259
11,966	7,190	4,776	Adult Care Operations	13,503	7,896	5,607
5,107	9,786	(4,679)	Commissioning	4,246	650	3,596
10,526	6,728	3,798	Director's Office	14,020	7,159	6,861
437	-	437	Housing	2,304	-	2,304
437	-	437	Building Better Lives	-	-	-
212,323	86,249	126,074	People - Adults	233,904	77,217	156,687
84,085	76,628	7,457	Financial and Commercial	84,693	76,178	8,515
4,891	1,465	3,426	Human Resources	4,403	1,530	2,873
2,406	121	2,285	Digital & Change	1,813	889	924
12,274	686	11,588	ICT Operations	10,135	1,062	9,073
265	-	265	Director's Office	232	-	232
1,269	6	1,263	Business Intelligence and Performance	1,019	20	999
1,314	7	1,307	Communications and Engagement	1,114	7	1,107
1,309	24	1,285	Community Grants	1,604	38	1,566
4,151	1,404	2,747	Superfast Broadband	6,442	(360)	6,802
1,006	-	1,006	Chief Executive's Office	963	1	962
1,700	1,205	495	Dorset Care Record	2,471	491	1,980
2,565	97	2,468	Transformation	1,756	250	1,506
-	-	-	Climate & Ecological	3,231	2,956	275
117,235	81,643	35,592	Corporate Development	119,876	83,062	36,814
49,621	21,084	28,537	Highways	48,291	21,049	27,242
10,708	5,943	4,765	Planning	9,777	4,644	5,133
28,995	2,678	26,317	Dorset Travel	33,204	2,031	31,173
2,064	-	2,064	Business Support	1,616	-	1,616
24,123	14,837	9,286	Environment and Wellbeing	21,263	13,288	7,975
7,796	3,327	4,469	Environmental Protection & Public Health	7,202	3,828	3,374
25,560	5,997	19,563	Waste Services	22,202	6,604	15,598
16,746	457	16,289	Commercial Waste & Strategy	15,679	434	15,245
9,677	977	8,700	Customer Services, Libraries and Archives	8,852	1,004	7,848
1,072	-	1,072	Director's Office	3,745	9,403	(5,658)
18,018	8,378	9,640	Assets and Property	24,561	7,677	16,884
194,380	63,678	130,702	Place	196,392	69,962	126,430
59,890	1,569	58,321	Care & Protection	61,162	3,220	57,942
82,307	3,903	78,404	Education & Learning	85,298	3,903	81,395
-	-	-	Dedicated Support Grant (DSG) Services	2,868	387	2,481
16,685	8,903	7,782	Commissioning & Partnerships	15,927	9,329	6,598
14	-	14	Education & Learning	2,116	2,213	(97)
5,385	1,025	4,360	Director's Services	4,770	1,123	3,647
146,580	44,732	101,848	DSG Services	132,376	29,990	102,386
-	1,029	(1,029)	DSG Recharges	-	1,029	(1,029)
-	144,005	(144,005)	DSG - Funding	-	148,388	(148,388)
310,861	205,166	105,695	People - Children	304,517	199,582	104,935
1,397	37	1,360	Assurance	1,408	40	1,368
3,545	632	2,913	Democratic & Electoral Services	2,896	216	2,680
420	898	(478)	Land Charges	388	805	(417)
2,845	126	2,719	Legal Services	2,331	160	2,171
8,207	1,693	6,514	Legal & Democratic Services	7,023	1,221	5,802
10,587	6,204	4,383	Public Health Joint Partnership Funding	4,412	1,715	2,697
25,729	25,886	(157)	Public Health	26,408	26,094	314
36,316	32,090	4,226	Partnerships	30,820	27,809	3,011
22,330	1,448	20,882	Centrally Managed Costs	8,025	102	7,924
901,652	471,967	429,685	Deficit on Provision of Services	900,557	458,955	441,603
1,861	-	1,861	Other Operating Income & Expenditure			
17,085	100	16,985	Net loss/(gain) on disposal of non-current assets	1,759	-	1,759
			Levies and Precepts	37,180	19,568	17,612
			Financing & Investment Income & Expenditure			
7,572	-	7,572	Interest Payable	21	6,876	6,876
-	3,113	(3,113)	Interest and Investment Income	21	-	(4,743)
-	4,279	(4,279)	Unrealised (gains)/losses on Investments	21	-	(7,315)
11,911	-	11,911	Net loss on disposal of Academies		20,609	20,609
20,786	-	20,786	Pensions Interest Cost & Expected Return on Assets	23	10,022	10,022
960,867	479,459	481,408	Net Operating Expenditure	977,003	475,951	501,053
			Taxation & Non-Specific Grant Income			
			Revenue Support Grant			(7)
		(57,639)	Non-Domestic Rates			(57,850)
		(287,703)	Council Tax			(297,887)
		(35,679)	Other Central Grants			(36,604)
		(71,340)	Capital Grants			(61,516)
		(452,361)	Total Finance			(453,864)
		29,047	Deficit for the Year			47,189
			Items that will not be reclassified to the (surplus)/deficit on the provision of services			
		(26,562)	(Surplus)/deficit on the revaluation of Property, Plant & Equipment			(7,463)
		(188,553)	Actuarial loss/(gain) on Pension Fund Assets & Liabilities			(598,156)
		(186,068)	Net Comprehensive (Income)/Expenditure			(558,430)

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Statement of Movement in Reserves

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves.

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2021	38,406	146,554	3,599	84,979	273,538	(434,846)	(161,308)
Movement in reserves during 2021/22							
Surplus/(Deficit) for the year	(29,047)	-	-	-	(29,047)	-	(29,047)
Total Other Comprehensive Income & Expenditure	-	-	-	-	-	215,115	215,115
Total Comprehensive Income & Expenditure	(29,047)	-	-	-	(29,047)	215,115	186,068
Net Increase/(Decrease) before Transfers	(29,047)	-	-	-	(29,047)	215,115	186,068
Total adjustments between accounting basis and funding basis under regulations (note 10)	42,386	2,087	998	9,429	54,900	(54,900)	-
Total transfers	(9,153)	9,153	-	-	-	-	-
Balance as at 31 March 2022	42,592	157,794	4,597	94,408	299,391	(274,631)	24,760

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	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Note	49	48	46	42			
Balance as at 31 March 2022	42,592	157,794	4,597	94,408	299,391	(274,631)	24,760
	42,592	157,794	4,597	94,408	299,391	(274,631)	24,760
Movement in reserves during 2022/23							
Surplus/(Deficit) for the year	(47,189)	-	-	-	(47,189)	-	(47,189)
Total Other Comprehensive Income/(Expenditure)	-	-	-	-	-	605,619	605,619
Total Comprehensive Income/(Expenditure)	(47,189)	-	-	-	(47,189)	605,619	558,430
Net Increase/(Decrease) before Transfers	(47,189)	-	-	-	(47,189)	605,619	558,430
Total Adjustments between accounting basis and funding basis under regulations (note 10)	25,729	4,128	222	14,658	44,737	(44,737)	-
Total transfers	21,017	(21,017)	-	-	-	-	-
Balance as at 31 March 2023	42,149	140,905	4,819	109,066	296,939	286,251	583,190

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Cash Flow Statement

The cash flow statement shows the changes in the Council's cash and cash equivalents in the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

As at 31 March 2022 £'000		Note	As at 31 March 2023 £'000
(29,047)	Net surplus or (deficit) on the provision of services		(47,189)
176,010	Adjustment to surplus or deficit on the provision of services for noncash movements	50	18,335
(1,403)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	(372)
<u>145,560</u>	Net Cash flows from operating activities		<u>(29,226)</u>
(142,142)	Net Cash flows from Investing Activities	51	9,283
(41,158)	Net Cash flows from Financing Activities	52	15,200
<u>(37,740)</u>	Net increase or (decrease) in cash and cash equivalents		<u>(4,743)</u>
83,619	Cash and cash equivalents at the beginning of the reporting period		45,879
45,879	Cash and cash equivalents at the end of the reporting period		41,136
<u>(37,740)</u>	Change in cash and cash equivalents during the reporting period		<u>(4,743)</u>

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

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

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- c) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- e) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24. It is likely that though they lead to improved reporting that items b) and c) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item d) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item e).

2) Related party transactions

Local Authorities are required to disclose details of material transactions with related parties, including Central Government, Other Local Authorities, and Elected Members, Senior Officers & their close families.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

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

Specific Grants are set out in the Comprehensive Income and Expenditure Statement and Note 14.

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Other Local Authorities and Bodies levying demands on the council tax

Levies and precepts paid to other bodies during 2022/23 included the following material transactions:

2021/22 £'000		2022/23 £'000
552	Environment Agency	565
196	Southern Sea Fisheries Committee	202
16,338	Town & Parish Precepts	16,948

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

Dorset Council is involved in the Stour Valley and Poole Partnership (SVPP), a function that is hosted by Bournemouth Christchurch and Poole Council which administers council tax, business rates and housing benefit on behalf of two of the predecessor council areas of Dorset Council. During 2021/22, Dorset Council charged £1,779k to the 2022/23 accounts for services from SVPP (£1,914k for 2021/22). The partnership was dissolved during 2022/23 and officially ended on 31 March 2023.

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

Disclosure of interests in other entities

South West Audit Partnership (SWAP)

SWAP is a company limited by guarantee; a local authority controlled company which started trading on 1 April 2013. The guarantors are all local authorities, Dorset Council being one of them. Dorset Council's influence in SWAP has significantly diminished over the years, given the expansion of the company. Theoretically, SWAP could fall to be treated as a joint venture but as the results of this treatment would not be material for Dorset Council, group accounts are not appropriate. SWAP's financial statements are available from the Company's website: [Audit services | SWAP Internal Audit Services \(swapaudit.co.uk\)](#)

Dorset Council charged £419k to the 2022/23 accounts (£464k for 2021/22) for services received by SWAP.

TRICS Consortium Ltd.

TRICS Consortium Ltd. was incorporated on 14 October 2014 by Dorset County Council and five other local authorities. Each member owns £37.5k of fully-paid-up, ordinary shares in the company and appoints a director to the company's Board.

Again, the Company could theoretically be treated as a joint venture, but the results would not have a material impact on Dorset Council's reported position, so they are not consolidated into group accounts. Financial statements for TRICS are available from the Company's website: www.TRICS.org

During 2022/23 Dorset Council received a dividend of £90k from the Company (£96k for 2021/22) and was charged £7k to the accounts for services purchased from the Company (£3k for 2021/22).

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Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole launched Tricuro. Tricuro was a group that was established under local authority trading company principles to deliver the councils' adult social services business, with staff transferring from each of the authorities to provide care services.

With reorganisation of local government in Dorset, each new council owned one ordinary share in Tricuro Support Limited, which in turn meant that it owned 100% of the equity of Tricuro Limited. Tricuro's turnover in 2022/23 was £33.0m (£43.4m for 2021/22). Dorset Council is contracted to provide support services to Tricuro; the value of this contract was £730k for the period to 31 March 2023 (£1,038k for 2021/22). Dorset Council charged £12,467k to the accounts for April to September 2022/23 (£24,018k for 2021/22) on account of services delivered by Tricuro. During 2021/22 Dorset Council gave notice to Tricuro to cease the contract. As of the 30 September 2022 Tricuro ceased providing services for Dorset Council.

Care Dorset

Care Dorset is an adult care service provider offering Residential services, Day Opportunities, Reablement services and Supported Living Services. Care Dorset is an independent company that is wholly owned by Dorset Council, known as a Local Authority Trading Company.

Care Dorset was launched in October 2022.

Dorset & Wiltshire Fire Authority

On 1 April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Corporate Director Legal & Democratic is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Council supplied services to related parties as detailed in the following table.

2021/22 £'000		2022/23 £'000
34	Dorset & Wiltshire Fire and Rescue Authority	37

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

2021/22 £'000		2022/23 £'000
34	Dorset & Wiltshire Fire and Rescue Authority	17

Elected Members, Staff and close families

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

Councillor Mark Roberts is a director of Daley Homecare Ltd. which has a contractual relationship with the Council to provide adult social and health care services. Daley Homecare Ltd was paid £146.6k by the Council during 2022/23.

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3) Financial Instruments

IFRS 9 Financial Instruments was incorporated into the CIPFA Code with effect from 1 April 2018. It specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. It requires an entity to recognise a financial asset or a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are accounted for at either amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI).

Financial Instrument Balances

The financial assets and liabilities at 31 March include the following categories of financial instruments:

2021/22			2022/23	
Long-Term £'000	Current £'000	Financial Assets	Long-Term £'000	Current £'000
-	45,879	Cash and Cash Equivalents	-	41,136
10,033	68,424	Debtors	10,846	76,908
		Fair value through profit and loss (FVTPL):		
23,750	125,541	Investments in pooled funds	19,853	53,656
33		Equity investments	33	-
33,816	239,844	Total Financial Assets	30,732	171,700

2021/22			2022/23	
Long-Term £'000	Current £'000	Financial Liabilities	Long-Term £'000	Current £'000
		Borrowing (amortised cost)		
(61,816)	(1,133)	Public Works Loan Board (PWLB)	(61,816)	(49)
(116,100)	(3,204)	Other lenders	(96,600)	(41,137)
(177,916)	(4,337)	Total Borrowing	(158,416)	(41,186)
		Other Long-Term Liabilities (amortised cost)		
(20,537)	-	PFI Liability	(18,645)	-
(57)	-	Other Long Term Liabilities	(57)	-
(2,199)	-	Obligations Under Finance Leases	(1,942)	-
(22,793)	-	Total Other Long-Term Liabilities	(20,644)	-
		Current Liabilities (amortised cost)		
-	(123,690)	Creditors (payable within 12 months)	-	(78,847)
-	(123,690)	Total Current Liabilities	-	(78,847)
(200,709)	(128,027)	Total Financial Liabilities	(179,060)	(120,033)

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The following tables analyse the financial instruments into input levels for fair value measurement techniques:

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 values of short-term financial instruments held at amortised cost are assumed to approximate to the carrying amount and are excluded from these tables.)

2021/22				2022/23		
Level 1 £'000	Level 2 £'000	Level 3 £'000	Financial Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000
125,541	23,750	-	Investments in pooled funds	53,656	19,853	-
-	-	33	Equity investments	-	-	33
-	10,033	-	Long Term Debtors	-	10,846	-
125,541	33,783	33	Total	53,656	30,699	33

2021/22				2022/23		
Level 1 £'000	Level 2 £'000	Level 3 £'000	Financial Liabilities	Level 1 £'000	Level 2 £'000	Level 3 £'000
Borrowing						
-	(62,949)	-	Public Works Loan Board (PWLB)	-	(61,865)	-
-	(119,304)	-	Other lenders	-	(137,737)	-
-	(182,253)	-	Total Borrowing	-	(199,602)	-
Other Long Term Liabilities						
-	(20,537)	-	PFI Liability	-	(18,645)	-
-	(57)	-	Other Long Term Liabilities	-	(57)	-
-	(2,199)	-	Obligations Under Finance Leases	-	(1,942)	-
-	(22,793)	-	Total Other Long Term Liabilities	-	(20,644)	-
-	(205,046)	-	Total	-	(220,246)	-

Financial Instrument Gains and Losses

2021/22 £'000	Gains/(Losses)	2022/23 £'000
(7,572)	Interest payable	(6,876)
3,113	Interest and investment income	4,743
4,279	Gains/(losses) from changes in fair value	(7,315)
(180)	Net Gain/(Loss) for the Year	(9,448)

4) Disclosure of nature and extent of risk arising from financial instruments

In line with CIPFA's Code of Practice on Treasury Management, the Council approves a treasury management strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also maintains treasury management practices specifying the practical arrangements to be followed to manage these risks.

The main risks covered are:

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

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

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

Credit risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality and by limiting the amounts that can be invested with any single counterparty as set out in the treasury management strategy.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2023 was £8.3m.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (as estimated by Moody's credit ratings agency) to adjust for current and forecast economic conditions.

A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2023, £nil (2022: £nil) of loss allowances related to treasury investments.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when it is needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, other local authorities and the Public Works Loan Board (PWLB). There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed primarily by setting limits, agreed in the annual treasury management strategy, on the proportion of fixed rate borrowing that can mature during specified periods. A maturity analysis of the Council's external borrowing is shown in Note 35.

Market risk

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

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variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall.

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. As at 31 March 2023 the Council had no variable rate borrowing or investments.

If interest rates had been 1% higher at 31 March 2023, the 12 month revenue impact is estimated as follows (with the movements reversed for a 1% fall):

2021/22 £'000	Interest Rate Risk	2022/23 £'000
-	Increase in interest payable on variable rate borrowings	-
-	Increase in interest receivable on variable rate investments	-
(899)	Decrease in fair value of investments held at FVTPL	(954)
(899)	Impact on Surplus or Deficit on the Provision of Services	(954)
-	Decrease in fair value of investments held at FVOCI	-
(899)	Impact on Comprehensive Income and Expenditure	(954)
-	Decrease in fair value of loans and investments at amortised cost *	-
(36,263)	Decrease in fair value of fixed rate borrowing *	(20,472)
	*No impact on Comprehensive Income and Expenditure.	

Movements in the value of investments that have a quoted market price will be treated as fair value through profit or loss (FVTPL), unless the investments have been designated as fair value through other comprehensive income (FVOCI). As at 31 March 2023 the Council had no such investments designated as FVOCI.

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m per fund. A 5% fall in commercial property prices at 31 March 2023 would result in a £1.0m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

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The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £20m per fund. A 5% fall in share prices at 31 March 2023 would result in a £1.8m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

5) **Events after the Balance Sheet date**

There were no material events after the balance sheet date that require disclosure in these financial statements.

6) **Prior period adjustments**

There are no prior year adjustments in these financial statements.

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7) Expenditure and Income analysed by Nature and Segmental Income

The Code requires local authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement.

	2022/23							2021/22	
	People Services, Adults & Housing	Corporate Development	Place	People Services, Children	Legal & Democratic	Public Health	Centrally Managed Costs	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Charges/Trading	177	(2,385)	(1,191)	2,897	(82)	936	(334)	18	12
Authority (Democratic) Costs	-	-	-	-	1,766	-	-	1,766	1,705
Pay Related Costs	23,740	27,163	59,412	145,586	4,323	4,197	8,068	272,489	261,349
Premises Related Costs	3,945	6	18,051	9,944	-	50	-	31,996	29,461
Transport Related Costs	510	1,978	26,329	1,916	13	19	1	30,766	20,974
Supplies and Service	48,638	15,315	23,284	114,690	822	3,817	175	206,741	186,381
Transfer Payments	54,575	68,095	64	1,334	-	-	-	124,068	117,084
Third Party Payments	98,084	857	26,906	15,261	166	21,792	-	163,066	147,186
Net Schools Budget adjs	-	-	-	1,399	-	-	-	1,399	1,424
Cost Centre Balances	(6)	-	-	1,110	-	-	(56)	1,048	86
Government Grants	(14,979)	(71,394)	(16,472)	(182,925)	-	(14,158)	-	(299,928)	(307,211)
Reimbursements and Contributions	(29,576)	(3,297)	(4,005)	(12,517)	(195)	(13,646)	-	(63,236)	(75,250)
Fees and Charges	(32,662)	(8,371)	(49,487)	(4,141)	(1,025)	(5)	(102)	(95,793)	(89,508)
Corporate Income & Expenditure	(26)	-	-	(144)	-	-	-	(170)	(192)
Funding	-	-	(1,801)	-	-	-	-	(1,801)	(258)
Transfers to/(from) Reserves	-	-	(12)	(5)	-	-	25	8	-
Reported in Management Accounts	152,420	27,967	81,078	94,405	5,788	3,002	7,777	372,437	293,243
IAS 19 Pension Adjustment	65	75	171	208	12	9	147	687	65,372
Capital Charges	4,202	8,772	45,181	10,322	2	-	-	68,479	71,070
Deficit on provision of services	156,687	36,814	126,430	104,935	5,802	3,011	7,924	441,603	429,685
Recharges (SERCOP)	12,183	(21,410)	(14,337)	26,470	(2,906)	-	-	-	-
Deficit on provision of services	168,870	15,404	112,093	131,405	2,896	3,011	7,924	441,603	429,685

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

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8) Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2021/22		Net Expenditure in the Comprehensive Income and Expenditure Statement		2022/23		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000			£'000	£'000			
118,097	7,977	126,074	152,552	4,135	156,687	People - Adults & Housing			
20,066	15,526	35,592	28,189	8,625	36,814	Corporate Development			
72,807	57,895	130,702	81,722	44,708	126,430	Place			
67,575	38,120	105,695	94,264	10,671	104,935	People - Children			
5,338	1,176	6,514	5,890	(88)	5,802	Legal & Democratic			
3,337	889	4,226	3,030	(19)	3,011	Partnerships (DCC Leads)			
11,344	9,538	20,882	932	6,992	7,924	Centrally Managed Costs			
298,564	131,121	429,685	366,579	75,024	441,603	Deficit on Provision of Services			
						Other Operating Income & Expenditure			
179	1,682	1,861	(47)	1,806	1,759	Net loss/(gain) on disposal of non-current assets			
16,985	-	16,985	17,612	-	17,612	Levies and Precepts			
						Financing & Investment Income & Expenditure			
-	11,911	11,911	-	20,609	20,609	Net loss on disposal of Academies			
7,572	-	7,572	6,876	-	6,876	Interest Payable			
(3,039)	(74)	(3,113)	(3,714)	(1,029)	(4,743)	Interest and Investment Income			
(4,279)	-	(4,279)	7,315	-	7,315	Unrealised (gains)/ losses on investments			
-	20,786	20,786	-	10,022	10,022	Pensions Interest Cost & Expected Return on Assets			
16,162	(16,162)	-	16,253	(16,253)	-	CERAMRP			
11,412	(11,412)	-	(8,235)	8,235	-	Transfers to/from Dedicated Schools Grant reserve			
						Taxation & Non-Specific Grant Income			
-	-	-	(7)	-	(7)	Revenue Support Grant			
(44,312)	(13,327)	(57,639)	(46,262)	(11,588)	(57,850)	Non-Domestic Rates			
-	-	-	-	-	-	Non-Domestic Rates top-up receipts from Central Government			
(280,257)	(7,446)	(287,703)	(298,315)	428	(297,887)	Council Tax			
(35,679)	-	(35,679)	(36,604)	-	(36,604)	Other Central Grants			
3,343	(74,683)	(71,340)	10	(61,526)	(61,516)	Capital Grants			
(311,912)	(88,726)	(400,638)	(345,118)	(49,296)	(394,414)	Total Other Income and Expenditure			
(13,348)	42,395	29,047	21,461	25,728	47,189	(Surplus) / Deficit for the Year			
9153			(21,017)			Transfers to/from earmarked General Fund reserves			
(4,195)			444			(Surplus) / Deficit on General Fund Balance			
(38,406)			(42,592)			Opening General Fund Balance as at 31 March 2022			
(4,186)			443			(Surplus) / Deficit on General Fund Balance			
(42,592)			(42,149)			Closing General Fund Balance as at 31 March 2023			

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9) Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

2021/22		2022/23			
Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
7,977	People - Adults	4,202	65	(132)	4,135
15,526	Corporate Development	8,772	75	(222)	8,625
57,895	Place	45,181	170	(643)	44,708
38,120	People - Children	10,321	210	140	10,671
1,176	Legal & Democratic	2	12	(102)	(88)
889	Partnerships (DCC Leads)	-	9	(28)	(19)
9,538	Centrally Managed Costs	-	146	6,846	6,992
131,121	Deficit on Provision of Services	68,478	687	5,859	75,024
(88,726)	Other Income and Expenditure from the Funding Analysis	(56,393)	10,022	(2,925)	(49,296)
42,395	Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	12,085	10,709	2,934	25,728

The adjustments between the funding and accounting basis above summarise detailed entries on the Movement in Reserves Statement, categorised by capital, pensions or other differences, that result in movements to the Comprehensive Income and Expenditure Statement to show the net expenditure chargeable to the general fund balance.

Other differences relate to items not included in management reporting, but are required to be reflected in the accounts. These include entries for the council tax and business rates Collection Fund Adjustment Accounts, and transfers to and from reserves.

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10) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure 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 together with movements in reserves under statute.

Usable Reserves 2021/22	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	61,697				61,697	(61,697)	-
Revenue expenditure funded from capital under statute	9,360				9,360	(9,360)	-
Net (gains)/losses on disposal of non-current assets	1,685		1,403		3,088	(3,088)	-
Net (gains)/losses on disposal of Academies	11,910				11,910	(11,910)	-
Statutory provision for financing of capital investment	(15,976)				(15,976)	15,976	-
Capital Expenditure charged against the General Fund	(186)				(186)	186	-
Usable Capital Receipts funding revenue income from finance leases	12		(12)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(393)		(393)	393	-
Transfer to Capital Grants Unapplied Reserves	(74,695)			74,695	-	-	-
Transfer from Capital Grants Unapplied to CAA				(63,253)	(63,253)	63,253	-
Reclassifications between balances and Reserves	-	2,087		(2,087)	-	-	-
Interest on Developer Contributions	(74)			74	-	-	-
Adjustments for Capital Purposes	(6,267)	2,087	998	9,429	6,247	(6,247)	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	121,669				121,669	(121,669)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(35,517)				(35,517)	35,517	-
Net Change for the Pensions Adjustments	86,152	-	-	-	86,152	(86,152)	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(320)				(320)	320	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(4,279)				(4,279)	4,279	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(7,446)				(7,446)	7,446	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(13,327)				(13,327)	13,327	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(716)				(716)	716	-
Net transfers to/from DSG Adjustment Account	(11,411)				(11,411)	11,411	-
Other Adjustments	(37,499)	-	-	-	(37,499)	37,499	-
Total Adjustments 2021/22	42,386	2,087	998	9,429	54,900	(54,900)	-

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Usable Reserves 2022/23	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	52,317				52,317	(52,317)	-
Revenue expenditure funded from capital under statute	16,161				16,161	(16,161)	-
Net gains/(losses) on disposal of non-current assets	1,805		372		2,177	(2,177)	-
Net gains/(losses) on disposal of Academies	20,609				20,609	(20,609)	-
Statutory provision for financing of capital investment	(15,801)				(15,801)	15,801	-
Capital Expenditure charged against the General Fund	(452)				(452)	452	-
Usable Capital Receipts funding revenue income from finance leases	13		(13)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(137)		(137)	137	-
Transfer to Capital Grants Unapplied Reserves	(61,538)			61,538	-	-	-
Transfer from Capital Grants Unapplied to CAA				(43,781)	(43,781)	43,781	-
Reclassifications between balances and Reserves	-	4,128		(4,128)	-	-	-
Interest on Developer Contributions	(1,029)			1,029	-	-	-
Adjustments for Capital Purposes	12,085	4,128	222	14,658	31,093	(31,093)	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	48,467				48,467	(48,467)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(37,758)				(37,758)	37,758	-
Net Change for the Pensions Adjustments	10,709	-	-	-	10,709	(10,709)	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(314)				(314)	314	-
Mandatory statutory override for changes in fair value of investments in pooled funds	7,315				7,315	(7,315)	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	428				428	(428)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(11,588)				(11,588)	11,588	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(1,140)				(1,140)	1,140	-
Net transfers to/from DSG Adjustment Account	8,234				8,234	(8,234)	-
Other Adjustments	2,935	-	-	-	2,935	(2,935)	-
Total Adjustments 2022/23	25,729	4,128	222	14,658	44,737	(44,737)	-

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11) Long-term contracts (Private Finance Initiative)

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

In 2006, the Council entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

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

Payments 2021/22 £'000	Grants Rcvd 2021/22 £'000		Payments 2022/23 £'000	Grants Rcvd 2022/23 £'000
5,834	(2,546)	Street lighting (provider)	5,813	(2,546)
1,530	-	Street lighting (energy)	2,496	-
(619)	-	Contribution from Bournemouth, Christchurch and Poole	(850)	-
2,874	(1,559)	Colfox School (provider)	2,951	(1,559)

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

Assets	Street lighting	Colfox School
	£'000	£'000
Opening balance	43,172	-
Additions/developments/lifecycle	3,248	-
Revaluations	-	(0)
Impairments	-	-
Depreciation	(2,018)	(0)
Closing balance	44,402	0

The Sir John Colfox school transferred to Academy status since the commencement of the contract, therefore the asset value has been removed from the balance sheet as required under accounting standards. The liability for the PFI contract remains with the Authority, however there is no additional financial burden for the Authority.

Liabilities	Street lighting	Colfox School
	£'000	£'000
Opening balance	(12,785)	(7,752)
Additions/developments/lifecycle	(3,248)	(356)
Repayments	4,397	1,099
Closing balance	(11,636)	(7,009)

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Future PFI Repayments to be made and when they fall due as analysed in the table below.

	Payments due within one year	Payments due between one and five years	Payments due after five years	Total future payments
	£'000	£'000	£'000	£'000
<u>Street lighting</u>				
Capital repayment	4,453	18,564	16,783	39,799
Interest charges	359	1,193	599	2,150
Service charges	2,918	12,398	14,662	29,978
Street Lighting Total	7,730	32,154	32,044	71,928
<u>Colfox</u>				
Capital repayment	1,256	5,737	2,534	9,527
Interest charges	746	2,066	275	3,086
Service charges	1,556	6,925	2,806	11,287
Colfox Total	3,558	14,728	5,614	23,900
Total future	11,288	46,882	37,658	95,828

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12) Leases

Dorset Council accounts for leases in accordance with the accounting policies set out in this document, specific information for leases is as follows:

Lessee Arrangements

Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 01/04/2021	461	1,303
New finance leases	-	-
Depreciation charge	(313)	(67)
Carrying amount as at 31/03/2022	148	1,236
New finance leases	-	-
Depreciation charge	(129)	(67)
Carrying amount as at 31/03/2023	19	1,169

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 01/04/2021	(671)	(1,991)
Liabilities added	-	-
Capital repayment	413	50
Carrying amount as at 31/03/2022	(258)	(1,941)
Liabilities added	-	-
Capital repayment	203	54
Carrying amount as at 31/03/2023	(55)	(1,887)

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

	2022/23 £'000	Leases payable within one year £'000	Leases payable after one year but less than five years £'000	Leases payable after more than five years £'000
Finance leases - property	274	274	1,096	3,518
Finance leases - plant, equipment, vehicles	226	24	26	25
All finance leases	500	298	1,122	3,543
Operating leases - property	757	810	2,500	12,532
Operating leases - plant, equipment, vehicles	1,305	140	151	144
All operating leases	2,062	950	2,651	12,676
All leases	2,562	1,248	3,773	16,219

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

	MLP £'000	Net Present Value MLP £'000
Finance leases	4,963	2,625
Operating leases	16,276	7,574

It is the practice of Dorset Council in property lease accounting, to apply a 125 year term end date, reviewed each financial year, to leases out as lessor held on an in perpetuity basis.

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Lessor Arrangements

Future receipts from leases

	Leases receivable within one year £'000	Leases receivable after one year but less than five years £'000	Leases receivable after more than five years £'000
Finance leases - property	46	185	2,719
Operating leases - property	6,723	16,844	80,763

Operating leases above include the following arrangements with Care Dorset:

	Leases receivable within one year £'000	Leases receivable after one year but less than five years £'000	Leases receivable after more than five years £'000
Operating leases - property	3,057	4,590	-

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

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	2,950	1,011
Operating leases - property	104,330	55,296

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13) Revenue from Contracts with Service Recipients

IFRS 15 Revenue from Contracts with Customers was incorporated into the CIPFA Code with effect from 1 April 2018. IFRS 15 established the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Included in the Council's income as shown on the Comprehensive Income and Expenditure Statement are the following amounts from contracts with customers as defined by IFRS 15. The Council has contract receivables, but no contract assets or contract liabilities. It has been concluded that revenue will be recognised in the correct financial year by accounting practise applied during the year, and the processes for accruals and other year-end adjustments.

	2022/23			
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	Revenue recognised for the year £'000
People - Adults & Housing	56,633	5,605	14,979	77,217
Corporate Development; Legal and Democratic; and Centrally Managed	3,649	9,342	71,394	84,385
People - Children	974	15,683	182,925	199,582
Place	16,476	37,015	16,471	69,962
Partnerships	12,278	1,373	14,158	27,809
Total	90,010	69,018	299,927	458,955

	2021/22			
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	Revenue recognised for the year £'000
People - Adults & Housing	49,151	22,059	15,039	86,249
Corporate Development; Legal and Democratic; and Centrally Managed	4,376	8,451	71,957	84,784
People - Children	492	15,039	189,635	205,166
Place	15,596	36,713	11,369	63,678
Partnerships	-	12,879	19,211	32,090
Total	69,615	95,141	307,211	471,967

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14) Analysis of Government Grants

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

2021/22 £'000		2022/23 £'000
180,288	Education	170,848
56,511	Department for Levelling Up, Housing and Communities	66,389
29,436	Health	21,519
1,628	Transport	1,444
928	Environment, Food & Rural Affairs	1,164
1,458	Culture, Media & Sport	(388)
67,513	Work & Pensions	64,997
338	Business, Innovation & Skills	251
-	Ministry of Defence	-
-	Ministry of Justice	10
47	European Union	69
1,734	Home Office	2,832
1,369	Other	1,163
341,250		330,298

Agency Accounting

Energy Rebate Payments

We received £19.068m Government funding in Energy Grants (during 2021/22 Covid-19 funding of £39.2m), all of which will be administered on an agency basis and distributed in line with grant conditions. Grants for which the Council was the principal recipient have been included in the Comprehensive Income and Expenditure Statement.

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15) Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School and Early Years Finance (England) Regulations 2020.

The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2022/23 are as follows:

Total 2021/22 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total 2022/23 £'000
279,977	Final DSG for 2022/23 before Academy and High Needs recoument			291,855
(136,860)	Academy figure and High Needs figure recouped for 2022/23			(148,847)
143,117	Total DSG after academy and high needs recoument for 2022/23			143,008
	Plus: Brought forward from 2021/22			11,412
(39,095)	Less: Carry-forward to 2023/24 agreed in advance			(27,684)
104,022	Agreed initial budgeted distribution in 2022/23	45,128	81,608	126,736
17,409	In year adjustments	6,143	(3)	6,140
121,431	Final budgeted distribution in 2022/23	51,271	81,605	132,876
(72,599)	Less: Actual central expenditure	(81,259)	-	(81,259)
(86,516)	Less: Actual ISB deployed to schools	-	(81,123)	(81,123)
10,000	Plus Local Authority contribution for 2022/23	5,482	(482)	5,000
(27,684)	In Year Carry forward to 2023/24	(24,506)	-	(24,506)
39,095	Plus/Minus: Carry-forward to 2023/24 agreed in advance			27,683
11,411	Carry-forward to 2023/24			3,177
(39,095)	DSG unusable reserve at the end of 2022/23			(39,095)
-	Addition to DSG unusable reserve at the end of 2022/23			-
(39,095)	Total of DSG unusable reserve at the end of 2022/23			(39,095)
(27,684)	Net DSG position at the end of 2022/23			(35,918)

16) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Total capital expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is principally capital expenditure on assets which the Council does not own, and which are not included on its asset register or Balance Sheet.

This expenditure is charged in the Comprehensive Income and Expenditure Statement with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Council's accounts. For 2022/23, the main areas of expenditure were on the public sector decarbonisation scheme (£6m), superfast broadband (£4.5m) and the rural 5G project (£0.9m).

2021/22 £'000		2022/23 £'000
9,360	Expenditure in Service Budgets funded from Capital Adjustment Account	16,161

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17) Members' allowances

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

2021/22		2022/23
£'000		£'000
1,680	Members' allowances	1,730
13	Members Travel	26
-	Members Subsistence	1

18) Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum.

Non-schools	2021/22			Group	2022/23		
	LEA Schools	VAVC Schools			Non-schools	LEA Schools	VAVC Schools
103	42	29	£50,000 to £54,999	130	51	30	
46	28	29	£55,000 to £59,999	74	26	26	
13	10	7	£60,000 to £64,999	27	13	9	
3	7	7	£65,000 to £69,999	8	7	9	
14	7	3	£70,000 to £74,999	4	9	1	
10	5	2	£75,000 to £79,999	14	3	2	
4	3	5	£80,000 to £84,999	8	4	5	
-	3	1	£85,000 to £89,999	6	1	2	
1	-	-	£90,000 to £94,999	4	4	-	
1	1	-	£95,000 to £99,999	1	-	-	
3	2	1	£100,000 to £104,999	1	-	-	
4	-	-	£105,000 to £109,999	3	1	1	
3	2	-	£110,000 to £114,999	1	1	-	
5	-	-	£115,000 to £119,999	3	1	-	
-	-	1	£120,000 to £124,999	2	1	1	
-	-	-	£125,000 to £129,999	1	-	-	
1	-	-	£130,000 to £134,999	-	-	-	
-	-	-	£135,000 to £139,999	1	-	-	
4	-	-	£140,000 to £144,999	-	-	-	
-	-	-	£145,000 to £149,999	4	-	-	
1	-	-	£170,000 to £174,999	1	-	-	
216	110	85		293	122	86	

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Dorset Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level. The Accounts & Audit Regulations 2015 require the disclosure of remuneration of senior officers whose salary was £150,000 or more per annum. In line with the Council's published pay policy, information on certain other senior posts is also disclosed.

Salary (can include redundancy) £'000	Additional emoluments (inc Elections Payments) £'000	Pension Contributions £'000	Total 2021/22 £'000	Post Holder Information	Name	Salary (can include redundancy) £'000	Additional emoluments (inc Elections Payments) £'000	Pension Contributions £'000	Total 2022/23 £'000
				Chief Executive					
173	-	29	202	Current Postholder	Matt Prosser	174	-	29	203
				Executive Director People, Adults					
144	-	26	170	Current Postholder	Vivienne Broadhurst	146	-	26	172
63	-	3	66	Previous Postholder					
207	-	29	236						
				Executive Director of Place					
144	-	26	170	Current Postholder	John Sellgren	146	-	26	172
				Executive Director People, Children's					
144	-	26	170	Current Postholder	Theresa Leavy	146	-	26	172
				Executive Director Corporate Development					
144	-	26	170	Current Postholder	Aidan Dunn	146	-	26	172
				Director of Public Health*					
133	-	24	157	Current Postholder	Sam Crowe	135	-	24	159
				Director Legal & Democratic Services (Monitoring Officer)					
112	-	20	132	Current Postholder		116	-	20	136
				Head of Chief Exec's Office					
81	-	15	96	Current Postholder		-	-	-	-
1,138	-	195	1,333			1,009	-	177	1,186

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19) Exit packages and termination benefits

The revised Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure.

2021/22			2022/23			
Compulsory redundancies	Other	Total cost £	Value of exit package	Compulsory redundancies	Other	Total cost £
Non-Schools						
27	20	421,054	Up to £20,000	5	7	91,457
-	5	148,936	£20,001 to £40,000	-	1	23,582
2	4	282,352	£40,001 to £60,000	-	3	161,643
-	4	274,439	£60,001 to £80,000	-	-	-
1	-	99,700	£80,001 to £100,000	-	-	-
1	1	211,792	£100,001 to £120,000	1	-	108,005
1	-	198,638	£180,001 to £200,000	-	-	-
1	-	215,392	£200,001 to £220,000	-	-	-
33	34	1,852,303		6	11	384,687
Schools						
7	13	127,428	Up to £20,000	-	6	65,385
1	-	20,527	£20,001 to £40,000	-	-	-
-	1	46,280	£40,001 to £60,000	-	-	-
1	-	63,003	£60,001 to £80,000	-	-	-
9	14	257,238		-	6	65,385
42	48	2,109,541	Total	6	17	450,072

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. These costs have been included in the Comprehensive Income and Expenditure Statement.

Redundancies	Total cost £	Value of exit package	Redundancies	Total cost £
	2021/22			2022/23
3	43,650	Up to £20,000	3	15,972
-	-	£20,001 to £40,000	1	30,296
-	-	£40,001 to £60,000	2	104,763
1	108,005	£100,001 to £120,000	-	-
4	151,655		6	151,031

20) Audit fees

Fees payable by the Council relating to external audit and inspection are summarised in the table below.

2021/22 £'000		2022/23 £'000
180	Deloitte for external audit services as appointed auditor for the year	189
5	Deloitte for Teachers Pensions Audit	7
20	Grant Thornton for Housing Benefit audit	28
205		224

As a result of the Accounts and Audit (Amendment) Regulations 2024 it is necessary for the Council to publish audited Statement of Accounts for 2022/23 by the 13 December 2024. However, where it is not feasible for the auditor to complete a full audit by this date, they are able to issue a disclaimer of opinion. This opinion type results in the auditor providing no assurance over the Statement of Accounts, and therefore the associated audit fee will be lower than the scale fee disclosed in the note above. At the time of publishing these accounts the agreed fee has not yet been confirmed.

Statement of Accounts

21) Financing & Investment Income and Expenditure

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

2021/22		2022/23
£'000		£'000
7,572	Interest payable on borrowings (as per I&E)	6,876
(3,113)	Interest receivable and investing income (as per I&E)	(4,743)
(4,279)	Unrealised (gains) / losses on investments (as per I&E)	7,315
1,325	Interest payable on service concessions (PFI schemes)	1,195
158	Interest payable on finance leases (property)	153
229	Interest payable on finance leases (plant & equipment)	23
(33)	Interest receivable on finance leases (property)	(33)
<u>1,859</u>	Total net interest paid / (investment income)	<u>10,786</u>

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income and Expenditure Statement. Revenue costs for leases are specifically calculated asset by asset and included in the deficit on provision of services line on the Comprehensive Income and Expenditure Statement.

There are other items on the Comprehensive Income and Expenditure Statement not included in this disclosure note.

Statement of Accounts

22) Property, plant and equipment

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

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 31 March 2022	433,398	99,453	11,919	25,882	76,696	647,348
Additions	22,934	7,853	889	41	11,872	43,589
Revaluation increases/(decreases) recognised in the revaluation reserve	7,365	-	-	(518)	-	6,847
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(2,433)	-	-	(11)	-	(2,444)
Derecognition - disposals	(27,673)	(14,505)	-	-	-	(42,178)
Transfers	18,313	310	-	729	(32,996)	(13,644)
As at 31 March 2023	451,904	93,111	12,808	26,123	55,572	639,517
Accumulated depreciation and impairment						
As at 31 March 2022	(8,142)	(73,677)	-	(7,006)	-	(88,825)
Depreciation charge	(15,496)	(6,829)	-	(49)	-	(22,374)
Depreciation written out to the revaluation reserve	605	-	-	10	-	615
Depreciation written out to the surplus/deficit on the provision of services	6,538	1,694	-	-	-	8,232
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	-
Derecognition - disposals	-	12,710	-	-	-	12,710
Derecognition - other	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-
As at 31 March 2023	(16,496)	(66,102)	-	(7,045)	-	(89,643)
Net book value						
As at 31 March 2023	435,408	27,009	12,808	19,078	55,572	549,875
As at 31 March 2022	425,256	25,776	11,919	18,876	76,696	558,523

Statement of Accounts

Comparative movements for 2021/22 were as follows:

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 31 March 2021	483,505	97,051	11,678	28,153	50,091	670,478
Other movements in cost or valuation	(41,445)	-	-	(4,269)	-	(45,714)
Additions	5,172	8,631	7	7	47,680	61,497
Revaluation increases/(decreases) recognised in the revaluation reserve	12,201	-	-	1,262	-	13,463
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(15,274)	-	-	729	-	(14,545)
Derecognition - disposals	(13,911)	(6,319)	-	-	-	(20,230)
Transfers	3,150	90	234	-	(21,075)	(17,601)
As at 31 March 2022	433,398	99,453	11,919	25,882	76,696	647,348
Accumulated depreciation and impairment						
As at 31 March 2021	(50,840)	(71,239)	-	(11,059)	-	(133,138)
Other movements in depreciation and impairment	41,445	-	-	4,269	-	45,714
Depreciation charge	(13,602)	(7,137)	-	209	-	(20,530)
Depreciation written out to the revaluation reserve	13,642	-	-	(425)	-	13,217
Depreciation written out to the surplus/deficit on the provision of services	1,213	4,699	-	-	-	5,912
As at 31 March 2022	(8,142)	(73,677)	-	(7,006)	-	(88,825)
Net book value						
As at 31 March 2022	425,256	25,776	11,919	18,876	76,696	558,523
As at 31 March 2021	432,665	25,812	11,678	17,094	50,091	537,340

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The Council maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, Bruton Knowles. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Note 54 to the accounts, on sources of estimation uncertainty, discloses sources on which there is the potential for material valuation uncertainty. The effective date for all valuations is 31 March 2023 for the financial year 2022/23, and the basis of valuation is explained in the Statement of Accounting Policies.

	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
Valued at Historic cost		93,111	12,808		55,572	161,491
Values at current value	451,904			26,123		478,027
Total	451,904	93,111	12,808	26,123	55,572	639,518

Statement of Accounts

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Financial Year End 31 March 2023	
Net Book Value (Modified Historic Cost) as at 31 March 2022	431,284
Additions	19,367
Derecognition	(14,214)
Depreciation	(26,278)
Depreciation on disposals	12,664
Other Movements	13,645
Net Book Value as at 31 March 2023	436,468
Financial Year End 31 March 2022	
Net Book Value (Modified Historic Cost) as at 31 March 2021	421,071
Additions	18,012
Derecognition	-
Depreciation	(25,137)
Depreciation on disposals	-
Other Movements	17,338
Net Book Value as at 31 March 2022	431,284

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Statement of Accounts

23) Retirement benefits

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

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

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

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

2021/22 £'000		2022/23 £'000
	Cost of services:	
100,883	Service Cost	38,445
19,787	Net interest on the defined liability (asset)	9,022
999	Administration expenses	1,000
121,669	Total post-employment benefits charged to the surplus or deficit on provision of services	48,467
	Remeasurement of the net defined benefit liability comprising:	
104,823	Return on assets less interest	(118,154)
4,190	Other actuarial gains/(losses) on assets	-
109,502	Actuarial gains and losses on changes in financial assumptions	898,459
55,109	Actuarial gains and losses on changes in demographic assumptions	-
(85,071)	Experience gain/(loss) on changes on defined benefit obligation	(182,149)
188,553	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	598,156
	Movement in reserves statement:	
(121,669)	Total post-employment benefits charged to the surplus or deficit on provision of services	(48,467)
35,517	Employers' contributions payable to the scheme	37,758
(86,152)	Adjustments between accounting basis and funding basis under regulations for the Pensions Reserve	(10,709)
	Actual amount charged against the General Fund balance for pensions in the year	
35,517	Employers' contributions payable to the scheme	37,758

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

Statement of Accounts

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

2021/22			2022/23	
% Assets	£'000		% Assets	£'000
53%	729,600	Equities	62%	792,249
12%	170,419	Gilts	1%	6,851
2%	30,910	Cash	2%	21,253
5%	69,063	Other Bonds	7%	82,798
7%	90,392	Diversified Growth Fund	7%	85,474
9%	128,388	Property	8%	102,290
7%	93,621	Infrastructure	8%	96,315
5%	62,884	Multi Asset Credit	7%	84,011
0%	-	Secured Income Funds	0%	-
	<u>1,375,277</u>	Estimated Assets in Council Fund		<u>1,271,241</u>
	2,238,406	Present value of scheme liabilities		1,553,178
	<u>22,472</u>	Present value of unfunded liabilities		<u>16,217</u>
	2,260,878	Total value of liabilities		1,569,395
	<u>(885,601)</u>	Net Pensions Asset/(Liability)		<u>(298,154)</u>

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2022, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2025.

The main assumptions used in their calculations are:

2021/22			2022/23	
% p.a.	Real		% p.a.	Real
3.20%	0.00%	CPI inflation	2.95%	0.00%
4.20%	1.00%	Rate of increase in salaries	3.95%	1.00%
3.20%	0.00%	Rate of increase in pensions	2.95%	0.00%
2.60%	-0.60%	Rate for discounting scheme liabilities	4.80%	1.85%

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

The assumed life expectations from age 65 are as follows:

2021/22			2022/23	
Male	Female	Years	Male	Female
22.1	24.2	Retiring today	22.2	24.2
23.4	25.6	Retiring in 20 years	23.5	25.6

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

2021/22		2022/23
£'000		£'000
2,227,623	Opening defined benefit obligation	2,260,878
82,776	Current service cost	41,696
42,123	Interest cost	62,416
(109,502)	Change in financial assumptions	(898,459)
(55,109)	Change in demographic assumptions	-
85,071	Experience loss/(gain) on defined benefit obligation	182,149
35,572	Liabilities assumed/(extinguished) on settlements	(30,483)
(55,991)	Estimated benefits paid (net of transfers in)	(57,005)
-	Past service cost	-
802	Past service costs including curtailments	855
10,798	Contributions by scheme participants	10,648
(3,285)	Unfunded pension payments	(3,300)
2,260,878	Closing defined benefit obligation	1,569,395

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

2021/22		2022/23
£'000		£'000
1,239,621	Opening fair value of scheme assets	1,375,277
22,336	Interest on assets	53,394
104,823	Return on assets less interest	(118,154)
4,190	Other actuarial gains/(losses)	-
(999)	Administration expenses	(1,000)
32,232	Contributions by employer (including unfunded)	34,458
3,285	Unfunded pension payments	3,300
10,798	Contributions by scheme participants	10,648
(55,991)	Estimated benefits paid (net of transfers in)	(57,005)
(3,285)	Unfunded pension payments	(3,300)
18,267	Settlement prices received/(paid)	(26,377)
1,375,277	Fair value of scheme assets at end of period	1,271,241

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

2021/22		2022/23
£'000		£'000
(988,002)	Surplus / (Deficit) brought forward	(885,601)
(100,883)	Service Cost	(38,445)
32,232	Employer contributions	34,458
3,285	Unfunded pension payments	3,300
(999)	Administration expenses	(1,000)
(19,787)	Net interest on the defined liability/(asset)	(9,022)
188,553	Actuarial Gain/(Loss)	598,156
(885,601)	Surplus/(Deficit) as at 31 March	(298,154)

Statement of Accounts

The estimated employer contribution to the scheme for the period 1 April 2023 to 31 March 2024 is £31.924m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023.

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

In 2022/23 the Council paid £11.8m to the TPA at 23.68% of pensionable pay. The figures for 2021/22 was £12.1m at 23.68% of pensionable pay. The cost of added years payments to ex-staff was £1.4m (£1.4m in 2021/22). There were no contributions remaining payable at the year-end.

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

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

- c. Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members' pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2022/23 the Council paid contributions of £102k to the NHSPS, being 14.38% of pensionable pay.
- d. Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities Local Authorities contribute by making contributions based on a percentage of members' pensionable salaries. In 2022/23 the Council paid contributions of £7.2k to NEST at 3.0% of pensionable pay.

24) Pooled Budgets for Health and Social Care

Better Care Fund (BCF)

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

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

- West
- East

Other partners include:

- NHS Dorset Integrated Care Board
- Bournemouth, Christchurch & Poole Council

2021/22			2022/23	
	£'000		£'000	£'000
		Funding provided to the pooled budget:		
74,227		Dorset Council	74,594	
62,600		NHS Dorset Integrated Care Board	64,573	
	136,827			139,167
		Expenditure met from the pooled budget:		
74,227		Dorset Council	74,594	
62,600		NHS Dorset Integrated Care Board	64,573	
	136,827			139,167
		Net surplus arising on the pooled budget during the year		-
	<u>-</u>			<u>-</u>

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ICES

Within the Better Care Fund (BCF) the authority has entered into a pooled budget arrangement with BCP and NHS Dorset for Equipment for Living Service (ICES). The authorities and NHS Dorset have an agreement in place with the partners contributing funds to the agreed budget equal to 18% BCP, 15% Dorset Council and 67% NHS Dorset ICB. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by BCP on behalf of the 3 partners to the agreement.

2021/22		2022/23	
	£'000	£'000	£'000
		Funding provided to the pooled budget:	
1,442	BCP Council	1,230	
1,248	Dorset Council	1,077	
5,690	NHS Dorset Integrated Care Board	5,721	
1,078	HDP Contribution	1,329	
	9,458		9,357
		Expenditure met from the pooled budget:	
1,564	BCP Council	1,428	
1,231	Dorset Council	1,146	
6,663	NHS Dorset Integrated Care Board	6,783	
	9,458		9,357
	-		0
	Net surplus/(deficit) arising on the pooled budget during the year		
	-		-
	Authority share 15% of the net surplus		

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25) Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 26, together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2021/22 £000s		2022/23 £000s
996,832	Property, Plant & Equipment and Intangible Assets	992,529
4,157	Assets held for sale	4,157
1,000,989	Total Assets to be funded	996,686
(201,112)	Revaluation Reserve	(198,562)
(451,755)	Capital Adjustment Reserve	(430,675)
348,122	Capital Financing Requirement 31 March	367,449
(20,537)	Less Long Term PFI Liability	(18,645)
(2,199)	Less Obligations under Finance Leases	(1,942)
325,386	Underlying Borrowing Requirement 31 March	346,862

2021/22 £'000		2022/23 £'000
11,610	Increase/(Decrease) on the underlying need to borrow	21,476
11,610		21,476

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26) Summary of capital expenditure and financing

This table gives details of capital spending by service, and how that spending was financed. The analysis above includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) set out in note 16.

2021/22			2022/23	
£'000	£'000		£'000	£'000
		Adult & Community Services		
1,817		New Construction & Improvements (including REFCUS)	3,234	
516		Capital Repairs & Maintenance	1,278	
52		ICT	21	
	2,385			4,533
		Cabinet/Whole Authority		
6,807		New Construction & Improvements (including REFCUS)	5,518	
1,836		Capital Repairs & Maintenance	543	
888		Corporate Fleet Vehicle Replacements	5,497	
1,686		ICT	2,638	
	11,217			14,196
		Children's Services		
8,439		New Construction & Improvements (including REFCUS)	8,960	
3,183		Capital Repairs & Maintenance	3,175	
6		ICT	24	
	11,628			12,159
		Place		
57,273		Infrastructure Improvements (including REFCUS)	43,228	
163		Capital Repairs & Maintenance	855	
4		ICT	140	
	57,440			44,223
		Dorset Waste Partnership		
999		Infrastructure Improvements (including REFCUS)	780	
5,225		Plant & Vehicles	-	
-		ICT	-	
	6,224			780
	<u>88,894</u>	Total Capital Expenditure		<u>75,891</u>
		Sources of Finance		
21,814		Borrowing (internal & external)	31,521	
63,253		Grants	43,781	
-		Other Contributions	-	
3,248		PFI and leases	-	
186		Revenue Contributions	452	
393		Use of Capital Receipts	137	
-		Use of Reserves and Balances	-	
	<u>88,894</u>	Total Financing		<u>75,891</u>

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

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27) Future capital commitments

The Council has entered into contracts for a number of capital projects in 2022/23 and earlier years, which were not completed by 31 March 2023. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

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

2021/22 £'000		2022/23 £'000
	Children's Services	
322	Pimperne Primary School replacement	344
584	Twynham Primary	584
473	Wimborne First	759
971	Ferndown First School	1,319
136	Woodroffe School	2,150
3,787	Beaucroft 6th Form accommodation	3,917
1,548	St Marys School Shaftesbury	4,500
953	Residential Sufficiency	2,872
	Adult & Community Services	
107	8 The Plocks Blandford	310
	Whole Authority	
6,998	Superfast Phase 3 Broadband	248
	Place Directorate	
2,702	Weymouth Relief Road	-
2,875	Gillingham Principal Street	-
276	Bridport Highways Depot	-
88	Durlston Pleasure Grounds	-
526	Dorset Innovation - MOD	3,442
3,134	Dorset Innovation Park - Infrastructure	3,500

28) Heritage Assets

Archive Material

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

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

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

The Joint Archive Service also holds on behalf of Dorset Council many of the original historic title deeds for the Council's property holdings. Most of these deeds have been superseded by registration of the land titles with HM Land Registry but some of the deeds are of historical interest and it is important that they should continue to be held in controlled conditions within the Dorset History Centre.

The three repositories in which the collections are stored meet the requirements of the standard BS4971 (Conservation and Care of Archive and Library Collections). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipe card access. Only JAS staff and limited numbers of Registration staff can access them.

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

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

Old Crown Court & Cells

These are contained within the former Council's main office building in Dorchester, Stratton House. These are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The Council does not consider that reliable cost or valuation information can be obtained for the historic fittings within the courtroom. This is because of the diverse nature of the assets held and the lack of comparable market values.

The Chairman's Chain of office

This has some historical interest being the chain of office of the former County Council. The chain is an operational asset in that it is worn by the Chairman of Council at meetings of the Full Council and at civic and ceremonial events when they represent the Council.

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The Council's Seal

This is an operational asset but is of historic interest. As the seal is applied and witnessed to execute deeds on behalf of the Council its value is in the ability to create documents that are legally binding on the Council. The seal is therefore kept in the custody of the Monitoring Officer and must not leave the Council's offices.

Sandsfoot Castle

This Castle dates from the 1540s and was part of a chain of forts built by King Henry VIII to protect England's south coast from invasion. It was specifically intended to protect Portland harbour. This costs quite a lot of money to maintain. It is an ancient monument SM33198 – HA1020062. Retained by the Council for its historic significance, and because it is slowly crumbling into the sea and needs to be managed in partnership with Historic England.

Roman Road in Thorncombe Woods

The Roman Road network in Britain included one that ran between Dorchester and Old Sarum near Salisbury. A well-preserved section of this road, a little over 2km in length, within Thorncombe Wood Country Park and eastwards across Puddletown Forest is protected as a Scheduled Monument (no. 1004562).

King George III and Queen Victoria Statues

These are at opposite ends of Weymouth Seafront – the King George III statue is at the Southern end near the Bus stops, and the Queen Victoria statue is at the Northern end near St John's Church.

Boundary Stones

There are numerous boundary stones around the County which denote the boundaries of old parishes. The Council owns these stones which are maintained solely for heritage purposes.

Chiswell Cottage at Brandy Row on Portland

This is a small cottage at the South-western end of Brandy Row, included due to its archaeological, architectural and historical illustrative values, it would likely be considered a non-designated heritage asset, should any applications come forward which directly (or indirectly) affect it. The building is difficult to date precisely given the lack of observable historic fabric, but the arched passage doorway and lintel chamfers are certainly consistent with an early- to mid-17th-century date.

The building occupies the S end of Brandy Row, which branches off Chiswell toward Chesil Beach and is shown by the early 19th century (at least) as having a row of what were likely fishermen's cottages along its E side and extending by the mid-19th century along the S side of Brandy Lane.

The direct association between Brandy Row and Chesil Beach has been diminished somewhat by the late 20th-century esplanade and flood wall which has been constructed between them, but the relationship nonetheless remains understandable and appreciable.

Contents of Weymouth Museum

Within the museum there is a large collection of various historically significant items for the town of Weymouth, ranging from King George III's bathing cap to air raid sirens. It is planned that once the renovation of Brewer's Quay is complete, the collection of items will be handed over to the trust who run the museum for no cost.

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There is also a very active “Local History Centre” holding a wide range of research materials including original documents, maps, old photographs and postcards, cinema and theatre posters and programmes, electoral registers, and local history reference books. Microfilms of old records of the town, and local newspapers are also available in the Centre.

29) Long-term debtors

An analysis of amounts due to the Council at 31 March 2023, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police expenditure prior to 1990, and is repayable by Dorset Police in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2021/22 £'000		2022/23 £'000
419	Other Local Authorities	350
5,061	Interest in Finance Leases	5,048
289	Interest in Operating Leases	289
4,264	Other	5,159
<u>10,033</u>		<u>10,846</u>

30) Inventories

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

2021/22 £'000	Stocks	2022/23 £'000
623	Highways and Transportation	823
73	Fuel Scheme	77
145	DWP Inventories	174
642	Community Equipment Store	657
63	Moors Valley Country Park	69
8	Avon Heath Country Park Shop	8
12	Leisure Services	10
28	Bridport Harbour Shop	40
11	Lyme Regis Harbour Shop	13
<u>1,605</u>		<u>1,871</u>

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31) Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2023 is shown below:

2021/22		2022/23	
Debtors	Payments in advance	Debtors	Payments in advance
£'000	£'000	£'000	£'000
24,259	152	30,579	28
9,145	25	4,531	23
5,480	-	705	-
17,254	-	25,318	-
29,540	13,704	41,093	15,386
85,678	13,881	102,226	15,437

32) Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £84.511m may fall due to Dorset Council in respect of Section 106 (of the Town and Country Planning Act 1990) planning and CIL (Community Infrastructure Levy) agreements.

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

33) Assets held for sale

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

2021/22	Property	2022/23
£'000		£'000
2000	Christchurch Adult Learning Centre	2,000
90	Access Road & Licences for 139-189 Chickerell Road	90
28	9 High Street, Fortuneswell	28
250	Land at Chafeys Roundabout and adjacent first sect	250
1650	Bridport Social and Education Centre - Land	1,650
139	Fairfield Day Centre	139
4,157		4,157

34) Cash and cash equivalents

Cash and cash equivalents comprises balances held in bank current accounts, plus same-day notice interest-earning deposit accounts and same-day notice low volatility money market funds.

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35) Borrowing

An analysis of the Council's outstanding debt as at 31 March 2023 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2021/22		Analysis of Loans by maturity	2022/23	
PWLB £'000	Other £'000		PWLB £'000	Other £'000
1,133	3,204	Short Term Borrowing (less than 1 year)	49	41,137
-	-	Between 1 and 2 years	10,000	-
10,000	-	Between 2 and 5 years	-	-
10,000	-	Between 5 and 10 years	10,000	-
-	19,500	Between 10 and 20 years	-	-
23,816	-	Between 20 and 30 years	31,816	-
18,000	15,000	Between 30 and 40 years	10,000	15,000
-	45,000	Between 40 and 50 years	-	45,000
-	36,600	More than 50 years	-	36,600
61,816	116,100	Long Term Borrowing	61,816	96,600
76,207	156,960	Fair Value of Borrowing	56,085	126,869
4.13%	3.67%	Average rate of interest	4.12%	4.04%

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 26, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

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

Other lenders include banks, building societies and local authorities that meet the criteria for borrowing in the approved treasury management strategy.

36) Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2023 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2021/22			2022/23	
Creditors £'000	Receipts in advance £'000		Creditors £'000	Receipts in advance £'000
34,585	2,813	Central Government Departments	11,085	3,113
4,191	95	Other Local Authorities	3,886	190
14,433	-	Health	3,720	-
40,484	5,971	Collection Fund	27,526	7,458
70,481	6,187	Other	60,156	10,451
164,174	15,066		106,373	21,212

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37) Provisions

The Council self-insures most of its insurance claims, funding these internally. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions at 31 March 2023 are as follows:

	Balance 1 April 2022 £'000	Transfers In £'000	Transfers Out Transfers £'000	Balance 31 March 2023 £'000
Misc Provisions	110	75	(84)	101
NNDR appeals provision	10,733	-	(490)	10,243
General Insurance Provision	1,899	4,773	(4,447)	2,225
	<u>12,742</u>	<u>4,848</u>	<u>(5,021)</u>	<u>12,569</u>

NNDR Appeals Provision

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding rate payers who have successfully appealed against the rateable value of their properties on the rating list.

Insurance Provision

The insurance provision of £2.225m as at 31st March 2023 is for to the Council's liabilities in respect of outstanding claims already reported.

It is expected that some insurance claims will be settled within the next financial year and others over the longer period, but it is not possible to say on a claim-by-claim basis when or if a particular claim will be settled due to their varied nature and changing legislation.

Municipal Mutual Insurance (MMI) was the insurer of all of the predecessor Councils prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The predecessor Councils elected to participate in the "Scheme of Arrangement", effectively becoming a "Scheme Creditor". Since LGR in 2019 Dorset Council is now the sole administrator for the scheme and is responsible for the liabilities of the 6 Councils which merged to form Dorset Council. The Council contributes to the settlement of any claim payments made at the rate of the levy set at the time of the payment. It continues to receive historic claims and has paid back part of the claims for which it has received settlements since 1993 as the "Scheme of Arrangement" has been triggered.

38) Contingent Liabilities

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

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39) Trust funds and bequests

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

	Balance 1 April 2022 £'000	Income £'000	Expenditure £'000	Balance 31 March 2023 £'000	Capital 31 March 2023 £'000
B Norwood Bequest	2	2	-	4	63
T Elliott Bequest	1	1	-	2	55
M Dorling Bequest	1	2	-	3	66
	<u>4</u>	<u>5</u>	<u>-</u>	<u>9</u>	<u>184</u>

40) Capital Adjustment Account

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

2021/22 £'000		2022/23 £'000
449,390	Balance brought forward	451,755
(54,614)	Depreciation & Impairment	(45,582)
(9,360)	REFCUS	(16,161)
(2,863)	Net gains/(losses) on disposal of non-current assets	(2,177)
(10,606)	Net gains/(losses) on disposal of Academy assets	(17,331)
15,976	Minimum Revenue Provision	15,801
186	Capital Expenditure Charged to the General Fund	452
63,253	Release of Government Grant	43,781
393	Use of Capital Receipts	137
-	Transfer from revenue to fund capital expenditure	-
<u>451,755</u>	Balance carried forward	<u>430,675</u>

41) Accumulated Absences Account

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

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

2021/22 £'000		2022/23 £'000
(7,484)	Opening balance	(6,768)
7,484	Reverse previous year provision	6,768
(6,768)	Current year provision	(5,628)
	(Charge)/credit to I&E	1,140
<u>716</u>	Closing balance	<u>(5,628)</u>
<u>(6,768)</u>		

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42) Capital Grants Unapplied Account

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

2021/22 £'000		2022/23 £'000
84,979	Balance brought forward	94,408
74,695	Receipts	61,538
74	Notional Interest	1,029
(63,253)	Transferred to Capital Adjustment Account	(43,781)
(2,087)	Adjusted to revenue earmarked reserves	(4,128)
94,408	Balance carried forward	109,066

43) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- a. Revalued downwards or impaired and the gains are lost;
- b. Used in the provision of services and the gains are consumed through depreciation;
or
- c. Disposed of and the gains are realised.

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

2021/22 £'000		2022/23 £'000
183,162	Balance brought forward	201,112
26,562	Revaluation gains on property, plant & equipment	7,463
(7,083)	Charges for depreciation & Impairment of non-current assets	(6,735)
(225)	Net (gains)/losses on reversing out historic upward revaluation on disposal of non-current assets	-
(1,304)	Net (gains)/losses on disposal of Academies	(3,278)
201,112	Balance carried forward	198,562

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44) Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account comprises the accumulated unrealised gains or losses made by the Council arising from changes in the fair value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is increased when investments are revalued upwards, and the balance is reduced when investments are revalued downwards or disposed of and the gains are realised.

2021/22 £'000		2022/23 £'000
3,642	Balance brought forward	7,921
4,279	Gains/(Losses) on revaluation of investments	(7,315)
<u>7,921</u>	Balance carried forward	<u>606</u>

45) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2021/22 £'000		2022/23 £'000
(13,187)	Balance brought forward	(12,867)
322	Release of deferred premia	322
(2)	Soft Loan Interest Adjustment	(8)
<u>(12,867)</u>	Balance carried forward	<u>(12,553)</u>

46) Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme. The credit balance reflects 2018/19 receipts being used to finance the programme.

2021/22 £'000		2022/23 £'000
3,599	Balance brought forward	4,597
1,403	Net (gains)/losses on disposal of non-current assets	372
(12)	Usable Capital Receipts funding revenue income from finance leases	(13)
(393)	Use of Capital Receipts to finance new capital expenditure	(137)
<u>4,597</u>	Balance carried forward	<u>4,819</u>

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47) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates 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.

2021/22 £'000		2022/23 £'000
(24,412)	Balance brought forward	(3,639)
20,773	Movement in year	11,160
<u>(3,639)</u>	Balance carried forward	<u>7,521</u>

48) Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes, which are reviewed at least twice yearly, as follows:

	Balance 1 April 2022 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2023 £'000
General Fund				
(a) Financial strategy	17,487	180	(11,979)	5,688
(b) PFI Reserves	7,727	324	(1,074)	6,977
(c) Insurance Reserve	6,370	4,308	(6,031)	4,647
(d) Trading Account Reserves	293	37	(27)	303
(e) Transformation Fund	5,800	3,050	(2,748)	6,102
(f) Other Reserves	9,707	4,868	(5,160)	9,415
(g) Repairs & maintenance	145	-	(3)	142
(h) Unused Grant Funds	36,858	22,423	(18,559)	40,722
(i) Infrastructure related	11,966	609	(1,716)	10,859
(j) Innovation	783	103	(164)	722
Sub-total	97,136	35,902	(47,461)	85,577
(k) Section 31 Grant Reserve	41,360	-	-	41,360
(l) Public Health inc Covid funding	8,004	2,518	(6,080)	4,442
(m) DSG recovery plan funding	10,000	3,500	(5,000)	8,500
(n) Covid	1,294	202	(472)	1,024
Total Revenue Reserves	157,794	42,122	(59,013)	140,903

a. Financial strategy

This reserve provides support to balance the Council's financial strategy over the five-year planning period and underpins any risks of overspend in the current year caused by volatility of sensitive budget assumptions. The updated Dorset Council financial strategy statement was updated and presented to Cabinet on 20 June 2023.

b. PFI reserves

These reserves are sinking funds held for replacement furniture and equipment, and to cover additional costs of any future legislative changes.

c. Insurance reserve

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

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- d. Trading Account reserves
The balance held in this reserve represents retained surpluses from traded services which are reinvested in future services.
- e. Transformation fund
This reserve was set up to fund investment expenditure that would generate reductions in revenue costs.
- f. Other reserves
Various reserves to cover partnership working, one-off activities or smooth future cost pressures or activities that may be required where a grant or budget may not be available. The reserve also covers the risks of cost overruns on projects, costs that are contingent upon project outcomes and potential conversion of schools to sponsored academies.
- g. Repairs & maintenance
This is a reserve to provide short-term support for the revenue budget for repairs and maintenance.
- h. Unused grant funds
Various reserves to fund future expenditure where the received grant for the work or service has not been fully utilised in the year.
- i. Infrastructure
Various reserves to cover infrastructure development in the area.
- j. Innovation
Associated reserves linking to Enterprise Zone and related business park developments.
- k. Section 31 Grant Reserve
This reserve holds unapplied Section 31 grant and includes £29.2m to cover business rate relief to retail, hospitality and leisure services.
- l. Public Health
Reserved underspends from the Public Health grant, to cover any future related Public Health activity or budget pressures that may arise and associated Covid related grants (Containment Outbreak Management).
- m. DSG recovery plan funding
Reserve specific for the Dedicated Schools Grant recovery plan. £20m was allocated as part of the plan. £10m was used in 2020/21, the remaining funding to be allocated as part of the agreed safety valve plan.
- n. Covid
Reserve specific for Covid related Council activities, excludes Public Health related activity, captured under (l).

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49) Movement in General Fund balances

Total balances decreased by £0.4m during the year to £42.1m. There is more information on reserves and balances in the Narrative Statement.

2021/22		2022/23		
£'000		General £'000	LMS* £'000	Total £'000
38,406	Brought forward	33,042	9,550	42,592
(7,426)	Use in year	-	(9,550)	(9,550)
11,612	Additions/outturn	1,711	7,396	9,107
<u>42,592</u>	Carried Forward	<u>34,753</u>	<u>7,396</u>	<u>42,149</u>

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

Notes to the Cash Flow Statement

50) Net Cash flows from operating activities

As at 31 March 2022 £'000		As at 31 March 2023 £'000
(2,904)	Interest received	(5,356)
7,347	Interest paid	6,809
<u>4,443</u>		<u>1,453</u>
As at 31 March 2022 £'000		As at 31 March 2023 £'000
39,564	Depreciation	27,811
14,526	Impairment	2,444
1,139	Amortisation	803
207	Increase/(decrease) in impairment for bad debts	1,206
36,189	Increase/(decrease) in creditors	(45,918)
(18,181)	(Increase)/decrease in debtors	(25,860)
(137)	(Increase)/decrease in inventories	(266)
86,152	Movement in pension liability	10,709
21,158	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	43,682
(4,607)	Other non-cash items charged to the net surplus or deficit on the provision of services	3,724
<u>176,010</u>		<u>18,335</u>
As at 31 March 2022 £'000		As at 31 March 2023 £'000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(1,403)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(372)
-	Any other items for which the cash effects are investing or financing cash flows	-
<u>(1,403)</u>		<u>(372)</u>

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51) Net Cash flows from investing activities

As at 31 March 2022 £'000		As at 31 March 2023 £'000
(79,535)	Purchase of property, plant and equipment, investment property and intangible assets	(62,974)
(177,353)	Purchase of short-term and long-term investments	(171,001)
1,403	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	372
113,343	Proceeds from short-term and long-term investments	242,886
<u>(142,142)</u>	Net cash flows from investing activities	<u>9,283</u>

52) Net Cash flows from financing activities

As at 31 March 2022 £'000		As at 31 March 2023 £'000
4,337	Cash receipts of short- and long-term borrowing	51,186
(2,215)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(2,149)
(43,280)	Repayments of short- and long-term borrowing	(33,837)
<u>(41,158)</u>	Net cash flows from financing activities	<u>15,200</u>

53) Critical accounting judgements

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

(i) Asset classifications, valuations and useful lives

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

As part of the 2023 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

(ii) Lease classifications

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

The introduction of IFRS 16 (the international financial reporting standard for leases) means that the Council will be required to review and potentially change some of its current treatment of leases, so there is greater consistency between items that are currently deemed to be either finance leases or operating leases. In future, almost all leases lasting more than one year will need to be shown on the Balance Sheet. This could have a material impact on the value of assets reported on the Council's Balance Sheet when the new standard is incorporated into the Code in 2024/25 Code, with the Code for 2022/23 and 2023/24 allowing optional early adoption.

(iii) Providing for potential liabilities

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

(iv) Assessment of the requirement for group accounts

The Council applies a series of tests, on an annual basis, to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement to produce consolidated accounts. The Council has assessed its current portfolio of arrangements as immaterial for the purposes described and group accounts are therefore not produced. Information about joint venture arrangements and other related parties is disclosed elsewhere in this document.

54) Sources of estimation uncertainty

The financial statements include some figures that are estimates, based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and best professional judgements of the future. However, amounts cannot be expressed with absolute certainty, so actual results could differ from these estimates.

Pension liability

There is one item in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year and that is the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Council therefore discloses information about the fund at various relevant points, throughout this document.

Property, plant and equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Assets are valued on a five-year rolling basis.

As part of the 2023 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be

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recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

55) Business Improvement Districts

The Council acts as an agent, collecting Business Improvement District (BID) levy income on behalf of four BIDs and distributing this income to each of them when requested by the Board. The Council maintains separate accounts for the transactions relating to each BID and these are not included in the Council's Comprehensive Income and Expenditure Statement.

The balances as at 31 March 2023 relating to the BIDs are as shown below.

	Credits from previous years £'000	Levy Income raised £'000	Amounts paid to the BID £'000	Amounts written off £'000	Refunds £'000	Provision for bad debts £'000	Balance on the Account £'000
Wimborne	(8)	(108)	92	-	6	-	(18)
Ferndown & Uddens	(3)	(122)	107	-	4	-	(14)
Dorchester	(4)	(120)	11	-	-	(16)	(129)
Weymouth	(55)	(292)	275	-	-	(34)	(106)
Total	(70)	(642)	485	-	10	(50)	(267)

Statement of Accounts

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (NDR).

	2021/22			2022/23		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
INCOME						
Council Tax	337,904	-	337,904	351,962	-	351,962
Council Tax S13A(1)C Relief	191	-	191	149	-	149
Non-Domestic Rates	-	77,543	77,543	-	87,477	87,477
TOTAL INCOME	338,095	77,543	415,638	352,111	87,477	439,588
PRECEPTS / NDR DISTRIBUTION						
Central Government	-	50,207	50,207	-	41,879	41,879
Dorset Council	263,919	49,203	313,122	276,033	41,041	317,074
Dorset Police Authority	37,908	-	37,908	40,001	-	40,001
Dorset Fire Authority	11,551	1,004	12,555	11,963	838	12,801
All Parishes	16,338	-	16,338	16,948	-	16,948
PREVIOUS YEAR COLLECTION FUND SURPLUS / (DEFICIT) REDISTRIBUTED						
Central Government	-	(23,739)	(23,739)	-	(9,699)	(9,699)
Dorset Council	(674)	(23,264)	(23,938)	5,483	(9,505)	(4,022)
Dorset Police Authority	(90)	-	(90)	742	-	742
Dorset Fire Authority	(29)	(475)	(504)	226	(194)	32
ALLOWANCES TO CHARGING AUTHORITY						
Non-Domestic Rate Cost Of Collection	-	625	625	-	628	628
Transitional Protection Payments	-	(235)	(235)	-	384	384
Renewable Energy Scheme	-	773	773	-	792	792
Enterprise Zones	-	54	54	-	110	110
PROVISION FOR APPEALS						
Increase/(Decrease) To Provision	-	(3,359)	(3,359)	-	(1,000)	(1,000)
PROVISION FOR BAD DEBTS						
Increase/(Decrease) To Provision	413	56	469	1,212	(1,462)	(250)
TOTAL DEDUCTIONS	329,336	50,850	380,186	352,608	63,812	416,420
Surplus / (Deficit) Arising In Year	8,759	26,693	35,452	(497)	23,665	23,168
Balance B/F 1st April	(3,049)	(44,404)	(47,453)	5,710	(17,711)	(12,001)
Balance C/F 31st March	5,710	(17,711)	(12,001)	5,213	5,954	11,167

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

The Council's Tax Base for 2022/23, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	20.2	5/9	11.2
A	11,914.8	6/9	7,943.2
B	22,458.0	7/9	17,467.3
C	34,275.9	8/9	30,467.5
D	31,789.3	9/9	31,789.3
E	25,487.6	11/9	31,151.5
F	14,609.9	13/9	21,103.2
G	7,526.9	15/9	12,544.8
H	612.9	18/9	1,225.7
	148,695.5		153,703.7
Class O exempt dwellings			755.3
Council Tax Base for Revenue Support Grant Purposes			154,459.0
Reduction due to the Council Tax Reduction Scheme			(3,841.1)
Council Tax Base for Council Tax Setting Purposes			150,617.9

2. INCOME FROM BUSINESS RATEPAYERS

The Council collects Business Rates on behalf of the Government based on local rateable values and National multipliers as follows:

	2021/22	2022/23
Rateable value at year-end	289,914,342	290,794,562
National Multiplier	51.2p	51.2p
Small Business Multiplier	49.9p	49.9p

3. ALLOCATION OF COLLECTION FUND SURPLUS / (DEFICIT)

2022/23	COUNCIL TAX £'000	NDR £'000	TOTAL £'000
Central Government	-	2,977	2,977
Dorset Council	4,425	2,917	7,342
Dorset Police Authority	607	-	607
Dorset Fire Authority	181	60	241
Total Surplus As At 31 March 2023	5,213	5,954	11,167
2021/22	COUNCIL TAX £'000	NDR £'000	TOTAL £'000
Central Government	-	(8,855)	(8,855)
Dorset Council	4,853	(8,679)	(3,826)
Dorset Police Authority	658	-	658
Dorset Fire Authority	199	(177)	22
Total Deficit As At 31 March 2022	5,710	(17,711)	(12,001)

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act as they apply to Local Authorities in England.

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments, except where disclosed otherwise in accounting policies or notes, or where required by International Financial Reporting Standards (IFRS).

Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories; and certain financial assets, liabilities and instruments.

The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

2. Accruals of Income and Expenditure

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

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

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

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

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest

(e.g. for finance leases) are reported in service accounts. An analysis of all interest payable is disclosed in the notes to the Financial Statements.

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

3. 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. 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.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

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.

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

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

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 authority's financial position or financial performance. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

5. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities 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.

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.

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 Dorset Council.

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 Dorset Council.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 includes 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 and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Employee Benefits

Benefits Payable During Employment & Termination Benefits

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

Post-employment Benefits

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

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

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

Discretionary Benefits

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

The accounting treatment for employee benefits is in accordance with CIPFA Code guidance.

8. Events after the Balance Sheet date

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

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

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

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

9. Financial Instruments

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

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

Long-term financial liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council'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).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- 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.

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

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

10. Foreign Currency Translation

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

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. 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.

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council.

A BID scheme has operated within Wimborne since 1st August 2011 and in Ferndown & Uddens since 1 September 2014. BIDs are funded through a levy paid by non-domestic ratepayers within the BID area. The Wimborne BID is delivered by Wimborne BID Limited and the Ferndown & Uddens BID is delivered by Ferndown & Uddens BID Limited, each with its own Board of Directors. The Council, in its capacity as the billing authority for the area, is acting as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated. The transactions relating to the Wimborne and Ferndown & Uddens BIDs are not included in the Council's Comprehensive Income and Expenditure Account, but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the Wimborne and Ferndown & Uddens BIDs are disclosed in notes to the Financial Statements.

Another BID scheme applies to the Dorchester Town Council area and is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

12. Heritage Assets

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

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

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

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

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

13. Intangible Assets

Recognition

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

Measurement

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

Amortisation

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are over periods determined at recognition – a timeframe is established by considering the ability of the organisation to use such intangibles to acquire value or deliver service potential in the future.

Charges to revenue

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

Impairment

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

Reversal of impairment

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

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

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

14. Interests in Companies and Other Entities

The Council reviews its interests in companies and other entities that have the nature of joint ventures and could require it to prepare group accounts. This position is reviewed and updated on an annual basis. In the authority's own single-entity accounts, the interests in companies and other entities would be recorded as financial assets at cost, less any provision for losses.

If applicable, Dorset Council Group Accounts would be produced using the Equity Method of consolidation. The Dorset Council Group position would be shown either in separate, or alongside the Authority only single-entity Financial Statements.

If consolidated group accounts were required, disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

15. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either FIFO or the weighted average costing formula dependent on the item being valued.

Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

16. Long-Term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

17. Jointly Controlled Operations and Jointly Controlled Assets

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 authority 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:

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

18. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Statements

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and

revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2023/24 accounts.

19. Lease Type Arrangements

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

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

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

20. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

21. Property, Plant & Equipment

Recognition

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

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

Property, plant and equipment is capitalised if:

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

The valuations have been undertaken in accordance with RICS Valuation Global Standards (The Red Book) and the RICS UK National Supplement 2018 (effective from January 2019) and the IFRS based Code of Practice on Local Authority Accounting 2022/23 (The Code).

Property, plant and equipment (PPE):

These assets form the majority of the Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others, but would not be held solely for that purpose or they would be re-classified as investment assets (INV).

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

Property, plant and equipment - Surplus (PPES):

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

Assets held for sale (AHS):

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

Measurement

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

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

as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

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

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

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

Where insufficient market-based evidence of current value is available because an item of property, plant and equipment is specialised and/or rarely sold, the Code permits the use of depreciated replacement cost (DRC).

Assets are re-valued with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the 2023 valuation report is prepared.

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

In respect of DRC valuations the Valuer will rely on projected BCIS data utilising the fourth quarter 2022 average prices index for the relevant class of asset. Due regard will be given to the Baseline cost directive where appropriate.

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

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

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

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

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The assets valued in the 2022 valuation report are not identical and therefore hierarchy 1 reporting and disclosure is not possible. All assets held at PPES and AHS attract a hierarchy Level 2 unless specifically stated in the special assumptions of the 2023 valuation report.

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

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

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

As part of the 2023 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

The valuation for all property assets is produced by an external professional RICS Accredited Scheme Valuer, Bruton Knowles, and reviewed in-house by one or more RICS Accredited Scheme Valuers within the Estates and Assets Service, with a valuation date of 31 March 2023. Some property assets and County Farms were valued in-house.

Impairment

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

Reversal of impairment

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

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

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

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

Disposals

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

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the Council, initially as predecessor councils prior to Local Government Reorganisation, has started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget.

Gains and losses on disposal of assets

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight line basis.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Charges to revenue

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

Subsequent expenditure

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

Componentisation

Component accounting became a requirement of the CIPFA Code since 1 April 2010, and was applied (prospectively) by the predecessor councils. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.

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

The annual valuation exercise that is carried out by the Authority re-values a proportion of the Council's assets each year. A policy is applied for assessing these assets for componentisation.

Component derecognition

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

Residual values

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

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

a) Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

b) Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

c) Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

d) Parts of the highways network & coastal infrastructure - straight line basis

• Drainage Infrastructure:	21 Years
• Roads:	24 Years
• Street Furniture/Traffic Calming Infrastructure:	24 Years
• Harbour Infrastructure:	50 Years
• Coast Protection Infrastructure:	50 Years
• Bridges:	100 Years

e) Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

22. Private Finance Initiative (PFI) Schemes

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

23. 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 when the Council has an 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.

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

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 authority.

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.

24. Reserves

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

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

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

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

26. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) 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 the 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.

27. Value Added Tax (VAT)

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

28. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, and investment properties, and some of its financial instruments at fair value at each reporting date. 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 authority 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 authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

29. Redemption of Debt

The Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement as a Minimum Revenue Provision (MRP). How funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices, is reflected in the Statement of Movement in Reserves and disclosure notes to the accounts in relation to the Capital Adjustment Account and General Fund Balance. Details are shown in the notes to the Financial Statements.

30. Donated Assets

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

31. Acquired and Discontinued Operations

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

Notwithstanding this, there is a disclosure note to the accounts which provides information about schools which achieved/plan to achieve Academy status in 2021/22 and 2022/23.

32. 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.



Annual Governance Statement

2022-23

Good Governance is about how the Council strives to do the right things, in the right way and for the benefit of the residents it serves.

Supported by:

Appendix A – Local Code of Corporate Governance

Appendix B – Summary of Extreme Potential Risks (Snapshot from Service Risk Registers)

WELCOME TO DORSET COUNCIL'S ANNUAL GOVERNANCE STATEMENT

The **Annual Governance Statement** is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively. Dorset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Local Government Act 1999 sets out the Council's duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. This is reflected in our commitment to transformation and to being a learning organisation.

The Accounts and Audit Regulations (2015) also require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts. This document is the third such Annual Governance Statement for Dorset Council, following its inception on 1 April 2019. The Chartered Institute of Public Finance and the Society of Local Authority Chief Executives (CIPFA/SOLACE) Delivering Good Governance publication (2016) describes principles of good governance to be applied in the public sector. This document is based upon the seven core principles that underpin the CIPFA/SOLACE governance framework.

The Governance Framework is comprised of the systems and processes, and culture and values, by which the Council is directed, and its activities through which it is accountable to, engages with and leads the community. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The process of review and monitoring of governance arrangements across Dorset Council is an ongoing process with updates provided throughout the year. This Statement explains how the Council has complied with The Code and meets the requirements of Accounts and Audit (England) Regulations 2015.



Matt Prosser

**Chief Executive
Dorset Council**



Cllr Spencer Flower

**Leader
Dorset Council**



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1. Dorset Councils Governance framework

Dorset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts. In 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC) collaborated to produce The International Framework: Good Governance in the Public Sector. The Framework sets the standard for local authority governance in the UK. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

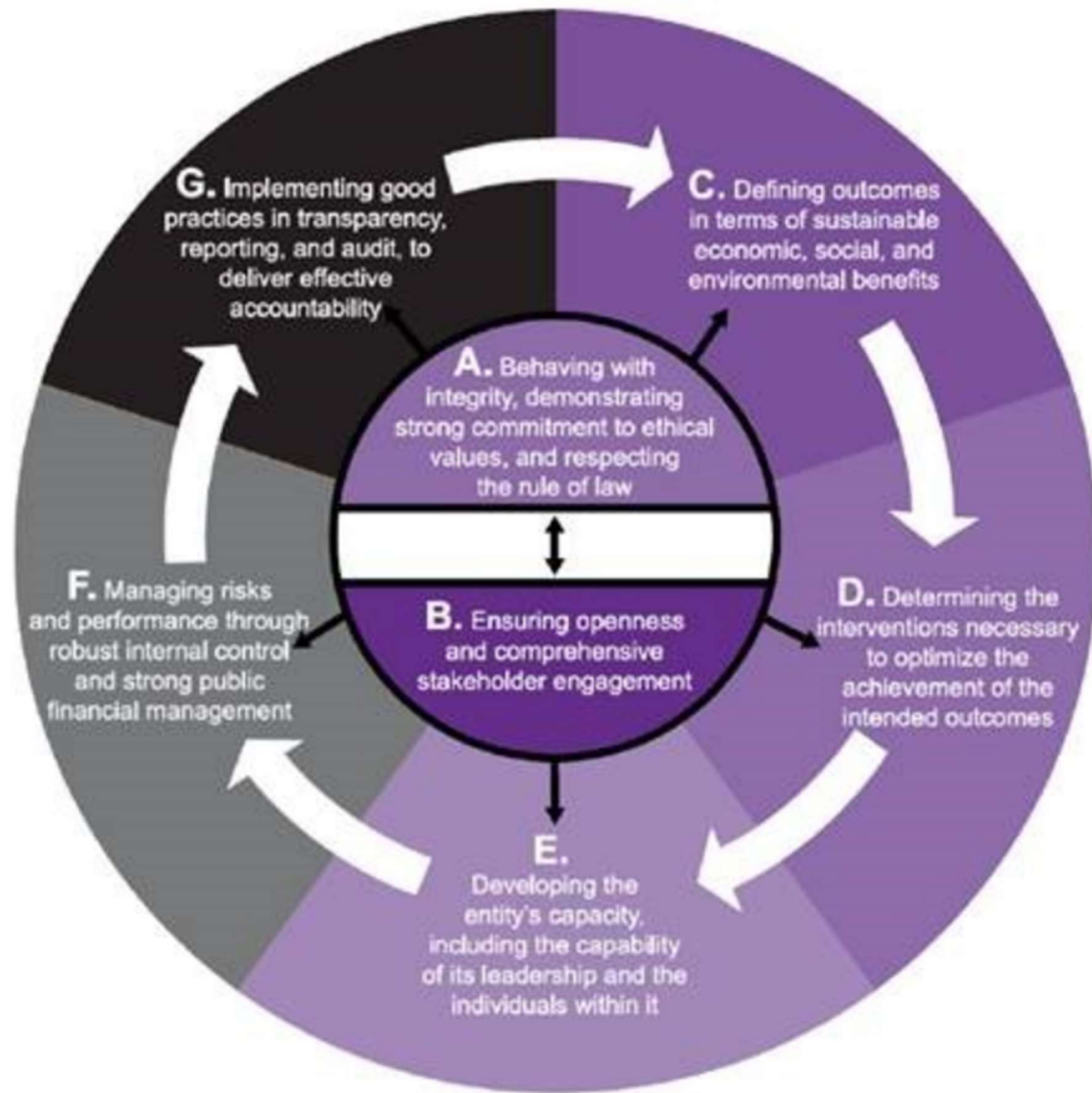
- Resources are directed in accordance with agreed policy and according to priorities; and
- There is sound and inclusive decision making.

The governance framework comprises the systems, processes, culture, and values, by which the Council is controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council'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. The governance framework has been in place for the year ended 31 March 2023, and up to the date of the approval of the Statement of Accounts.

2 Review of Effectiveness

Review and monitoring of governance arrangements across the Council is an ongoing process. This Statement explains how the Council has complied with its Local Code of Corporate Governance and meets the requirements of Accounts and Audit (England) Regulations 2015 regulation 6, in relation to conducting a review of the effectiveness of the system of internal control and the publication of an annual governance statement.

Dorset Council is committed to the seven core principles of good practice contained in CIPFA/ SOLACE Governance Framework. A more detailed assessment can be found in the Council's Local Code of Corporate Governance that supports this Annual Governance Statement:



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

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

The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer, and Chief Financial Officer (S151) are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures.

The Head of Paid Service is the Chief Executive and is responsible for all Council employees. The Executive Director for Corporate Development is the Council's Chief Financial Officer and is responsible for safeguarding the Council's financial position and ensuring value for money. The Director for Legal and Democratic is the Monitoring Officer and is responsible for ensuring legality and promoting exacting standards of conduct in public life. Under Section 18(2) of the Children Act 2004, Local Authorities in England have a duty to appoint a Director of Children's Services. Local Authorities in England are also required to appoint a Director of Adult Services. Dorset Council have in place both Executive Directors for People (Adults & Children). Alongside these officers, the Executive Director of Place and the Director of Public Health comprise the Council's senior leadership team.

The Council's Constitution sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees, and partners. Decision making powers not reserved for councillors are delegated to chief officers (Chief Officer is defined as: Chief Executive; Executive Director; Director or Corporate Director). Each chief officer has a scheme of nomination setting out the powers that others may exercise on their behalf.

The Members' Code of Conduct advises an elected member (or voting co-opted member) what conduct is expected of them and whether their conduct constitutes a criminal offence. A Code of Conduct also exists for staff which sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether this is real or perceived.

The Council operates under an Executive (Cabinet) model, which oversees the formulation of all major policies, strategies, and plans. The Cabinet also lead on the preparation of the Council's budget. The primary counterbalance to our Cabinet is through the two Overview

Committees, the two Scrutiny Committees and the Audit and Governance Committee. These Committees are in place to provide support and a robust level of challenge to the Executive.

We are committed to promoting equality of opportunity, valuing diversity, and eliminating discrimination. In early 2022 the Equality, Diversity and Inclusion Strategic Board was established to oversee and embed equality, diversity, and inclusion within our organisation and in our external work. It also supports the implementation of the council's Equality, Diversity, and Inclusion Strategy by prioritising activity within its action plan and monitoring progress.

B) Ensuring openness and comprehensive stakeholder engagement

All elected members represent their electoral ward. Those not appointed to the Cabinet support the development of policy and scrutinise decisions made by the Cabinet or by officers under delegated powers. They also review services provided by the Council and its partners. The Council's committee structure as set out in the Constitution includes two overview committees and two scrutiny committees, one of which is the designated statutory health scrutiny committee responsible for reviewing proposals for significant changes to NHS services in Dorset. The Council's overall policy is represented through the Council Plan.

Committee meetings are open to the public, and agenda papers and minutes are transparently available on the internet. Since 2019, Committee meetings have been broadcast live using webcasting, and available for viewing via YouTube and the Council's website.

A complaints procedure and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual complaints report analyses complaints received, their resolution and key lessons learnt. This is presented to both Scrutiny Committees. The Audit and Governance Committee has responsibility for overseeing the investigation of complaints against members.

The Council has a whistleblowing policy, which encourages employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. In addition to a fraud and whistleblowing intranet page, the Chief Executive communicates this to all employees on an annual basis to make them aware of this policy. The policy is supported by a confidential whistleblowing hotline and email address. The Council expects the highest standards of conduct and personal behaviour from councillors and employees. These standards are defined and communicated through codes of conduct and protocols.

Our Communications team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations. Public consultation plays a key part in the decision-making process, across the full range of the Council's services.

Minutes for the two Stakeholder committees, Care Dorset Holdings Ltd and Dorset Centre of Excellence, are available on the Council's website.

The Shareholder Committee for Care Dorset Holdings Ltd is responsible for conducting the Council's shareholder function for Care Dorset Holding Limited. This includes to provide social care across residential and non-residential settings for elderly and vulnerable adults in Dorset.

The Dorset Centre of Excellence (Company) was incorporated on 11 June 2021 and the purpose of the Company is to operate an independent special school and the longer-term vision at the former St Mary's School site. The membership of the committee is made up of 5 members of Cabinet, to perform its shareholder function - to oversee the strategic relationship between the Council and the Company and decision-making.

A disclosure log has been added to the Council's website, transparently including responses to Freedom of Information requests received.

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

A Council Plan incorporates ten cabinet commitments and focuses on five priorities:

- Protecting our natural environment, climate, and ecology
- Creating stronger, healthier communities
- Creating sustainable development and housing
- Driving economic prosperity
- Becoming a more responsive, customer focused council

Delivery of this plan is supported by service plans and individual staff performance reviews, via objectives set in our appraisal platform "My Roadmap." This demonstrates a 'golden thread' from the overarching Council Plan. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

Service level reporting provides monthly management information in a range of formats determined by the senior leadership teams of each of the Council's directorates. To measure our performance, it is important to recognise that we carefully consider, amongst other things: statutory requirements, priorities, resources and how we compare to other places. We continue to strive to be open and transparent, and in line with our efforts to maximise the value in our business intelligence and information. The council provides performance dashboards that help to provide an insight into council activities. The framework makes use of a reporting by exception process whereby measures which are identified as off-track require explanation from accountable managers through a dedicated action tracking process with regular status updates.

New actions will be identified as part of the performance management process and added into the tracking process. This requires an accountable officer to explain why a target is off-track; identify actions to rectify; and a timeline for returning to within tolerance (path to green). A Data and Business Intelligence (BI) Strategy was approved in February 2022 and provides strategic direction to the council's next steps in our ambitions to place the use of data and intelligence at the core of decision making and policy development. It recognises the enormous potential that the better use of our data assets holds for improved decision-making, identification of new opportunities and service improvements both in terms of delivery and value for money.

D) Determining the interventions necessary to optimize the achievement of the intended outcomes.

Each Cabinet member has been assigned as a specific Portfolio Holder with roles and responsibility for different themes: i) Adult Social Care and Health; ii) Children, Education, Skills and Early Help; iii) Corporate Development and Transformation; iv) Culture, Communities and Customer Services; v) Economic Growth, Assets and Property; vi) Finance, Commercial and Capital Strategy; vii) Highways, Travel and Environment; viii) Housing and Community Services; and xi) Planning. The Leader of the Council is the portfolio holder for Governance, Performance and Communications, business insight and performance, policy, democratic services and elections, legal services, and assurance.

A value for money framework sets out how to develop value for money service benchmarking across the council. Local Government bodies, auditors are required to give a conclusion on whether the council has proper arrangements in place to secure value for money and guidance identifies one single criterion for auditors to evaluate ***'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.'***

A climate change decision wheel was approved by Cabinet during 2022, to ensure that impacts on the climate are identified and responded to as part of the decision-making process.

E) Developing the entity's capacity, including the capability of its leadership and the individuals within it

The behaviours we demonstrate, the attitudes we hold and the approaches we take at work are key to the success of Dorset Council and our vision to be an employer of choice. We recognise that our people make our organisation, which is why our behaviours have been developed in partnership with members of our Employee Forum. Behaviours are the attitudes and approaches we bring to our work. They include how we do things; what we say and how we say it; how we treat people; and how we expect to be treated.

“My ROAD Map” is the Council’s continuous performance management framework for staff appraisal, designed to give staff the opportunity to focus on what is important to them to drive performance and development. Appropriate training is made available via a learning hub to ensure that staff can undertake their present role effectively and that they can develop to meet their and the County Council’s needs. This includes several mandatory modules: data protection; safeguarding; prevent; equality, diversity and inclusion and health and safety essentials. As part of an overarching People Strategy, the Council has developed an Employer Brand as part of our corporate priority to be an employer of choice. This brand is about defining who we are and what we have to offer as an employer, so we can build our reputation and attract, recruit, and retain employees.

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

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

F) Managing risks and performance through robust internal control and strong financial management

The Council’s monetary management arrangements conform with the governance requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) “Statement on the Role of the Chief Financial Officer in Local Government” (2010) as set out in the “Application Note to Delivering Good Governance in Local Government: Framework”. The Chief Financial Officer (a role performed by the Executive Director for Corporate Development) has statutory responsibility for the proper management of the Council’s finances and is a key member of the senior leadership team. The Council’s assurance arrangements conform with the governance requirements of the CIPFA “Statement on the Role of the Head of Internal Audit in Public Service Organisations” (2010).

We recognise that Risk Management is an essential part of delivering good governance and reduces the uncertainty of achieving outcomes as set out in the Council Plan. The Council remains committed to driving the organisation forward to achieve a risk aware culture and recognises that effective risk management is essential for a Council to demonstrate that it is acting in the best interests of its residents. Progress has been made with introduction of a risk PowerBI dashboard that helps stakeholders to focus on extreme and high-level risks. It is acknowledged that with such systems in place it will not eliminate all risks, but having systems, mitigations and controls will help to provide a robust process that considers any such risks. Dorset Council continues to work to better embed and help raise awareness of the principles of risk management and to assist officers, at all levels, in applying sound risk management and judgement.

Work continues to develop the council’s stance towards risk management to better assist colleagues, at all levels, in applying sound risk management principles and practices. Summary reports are received by the Audit and Governance Committee on a quarterly basis with an update on key issues from the Information Compliance and Emergency Planning services.

Risk update reports provide a quarterly view on Extreme and High-Level risks that are identified across all services, with separate schedules for Adults and Housing, Children's Services, Corporate Development Services and Place Services and considered by the Places and Resources and People and Health Scrutiny Committees. A summary page (Snapshot on Performance) also helps to provide focus on all the services with a series of graphs and headline statements. An internal audit on risk management during 2022/23 identified some improvements to be made to embedding the culture across all services, and this is reflected within the action plan. During 2023/24 the risk function will transfer into the Performance and Business Intelligence team to provide closer alignment with the performance framework and allow an existing business partner model to help embed the culture within services.

The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Southwest Audit Partnership reviewed the Council's fraud management arrangements during 2022 as part of a baseline review, and significant improvements were identified since the last review in 2020. A fraud risk assessment was undertaken and has been embedded within the Council's overarching risk register. An annual report on fraud and whistleblowing is received by the Audit and Governance Committee.

The Council's approach to information governance is led by a Strategic Information Governance Board, chaired by the Senior Information Risk Owner (the Director for Legal and Democratic). The work of the Board is supported by four working groups: i) Operational Information Governance Group; ii) Cyber Security Technical Group; iii) Digital Applications Governance Group; and iv) an Organisational Compliance and Risk Learning Group (which will be operational early 2023/24). The Council has an Information Compliance Team which is headed up by the Data Protection Officer and sits within the Assurance Service. Information and records management sits alongside the Archives service. A designated Cyber Security and ICT Continuity officer works within ICT Operations. These supporting teams have representation on the Strategic Information Governance Board. We complete the NHS Digital Security and Protection Toolkit annually to demonstrate that the organisation can be trusted to maintain the confidentiality and security of personal information, increasing public confidence that the NHS and partner organisations can be trusted with personal data.

The Council's Emergency Planning function sits within the Assurance Service and works in conjunction with Local Resilience Forum partners to plan, respond and learn from civil emergencies. The Covid-19 pandemic impacted upon people, assessing our resilience, requiring us to change the way we deliver services and driving the creation of new services to meet the needs of Dorset residents. Dorset Council has played a significant role in responding to the Covid-19 outbreak, both in the delivery of its own service responsibilities and as part of the multi-agency response coordinated through the Local Resilience Forum. The Council was able to maintain services to residents, prioritising services to those in greatest need and redeploying staff accordingly. Public Health Dorset, hosted by the Council, played a key part in responding to the pandemic. The Council's scheme of delegation enabled officers to make urgent decisions and transparency of decision making was maintained through the publication of decision notices. The Council recognises that the Covid-19 crisis has had a significant budgetary impact and will have a long-term effect on the level of resources available to the Council. As we move forward, we will continue to analyse the impact of Covid-19 and understand how the pandemic has impacted our strategic priorities.

Dorset Council continues to experience underfunding through central government annual settlements, limited increases in its council tax and under funding from the current business rates distribution methodology and the collateral ongoing impact surrounding Covid 19 Pandemic. Since the UK left the European Union in December 2020 the UK has been adjusting to the changing trade arrangements, reacting to the wider global economic impacts and Covid restrictions. The global economic challenges, and Ukraine conflict is placing cost of living pressure on households and businesses. There continues to be inflationary increases on food, fuel, and energy prices. These pressures are set to increase further in 2023. Dorset Council is supporting Ukrainian refugees and is offering support to the Ukrainian families living and working in Dorset. We also recognise the impact that the conflict in Ukraine is having on our wider EU communities, many of whom have links to neighbouring countries who are also affected. As a result of the conflict, energy and fuel prices are surging. The September 2022 mini budget saw increases in interest rates. As a result of soaring inflation, we have faced significant, and pay demands from public sector workers. We continue to deal with the unforeseen. Notable areas of risk and impacts for both the United Kingdom and the Council are:

- Continued political instability at a national level creating uncertainty in the financial markets and leading to a Bank of England intervention to help stabilise the position.
- Sixth successive quarter recording a fall in Real Household Disposable Income (Office for National Statistics data source).
- National Grid Demand Flexibility Service implementation, to support a continuous energy supply.
- Continued workforce pressures, including recruitment, retention and nationwide strike action, or threat of, within several sectors. Unions and workers demanding inflation matching pay rises.
- The continued impacts of the Russian invasion of Ukraine, with ongoing support to Ukraine from the United Kingdom, amongst several other nations.
- Heightened awareness relating to environmental issues because of weather extremes.

The public sector is not in any way immune from the rising costs of energy and inflation placing additional, real pressures on the value of our Budget. We continue to work on our Covid Recovery Strategy, to create a more effective way of working together, focused on outcomes that matter to Dorset residents, with more flexibility, reduced reporting, and greater assurance. Many of our public services are on a journey to recovery following the acute phase of the pandemic. Moreover, during which the council has been experiencing cost pressures in relation to the range of services it delivers and uncertainty over future funding. The council is nevertheless obligated, under statute, to set a balanced budget for each budget year. Local government in Dorset has undergone a huge change with the county's nine councils being replaced by two entirely new organisations in 2019. This resulted in a reduction in costs by cutting duplication, benefiting from economies of scales, and further underpinned by a rigorous service transformation programme.

The money saved is being reinvested into important services for residents including housing, road maintenance, SEND provision within schools, social care, and waste collection. You can find out more about these changes and what it means for you at [Dorset Council External Audit review and report on the Council's financial statements \(including the Annual Governance Statement\)](#) and provide an opinion on the accounts together with the use of resources including providing a value for money opinion.

G) Implementing good practice in transparency, reporting, and audit, to deliver effective accountability.

The work of internal audit aligns with the aims and objectives of the council, considering key risks, operations, and changes. To do this Internal Audit needs to be flexible in adapting audit plans to manage changing risks, priorities, and challenges. It is the responsibility of the Senior Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.

Dorset Council uses the services provided by SWAP (Southwest Audit Partnership) Internal Audit Services which is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership includes public sector partners, crossing eight Counties, but also providing services throughout the UK. The resulting programme is a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP driven by our continuous risk assessment. This risk assessment is based on the live status of both the Council's strategic and service risk registers.

The results of these risk assessments are shared with senior management to obtain their view on the value of internal audit involvement. In developing risk assessments, SWAP take account of other sources of assurance, where relevant. Internal Audit is only one source of assurance, and the outcomes of internal audit reviews are considered alongside other sources, as part of the 'three lines' assurance model. It remains the responsibility of the council's Senior Leadership Team and the Audit & Governance Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by Dorset Council. SWAP provide a quarterly internal audit report to the Audit and Governance Committee.

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

The Council is committed to achieving high standards of integrity and accountability. Our Anti-fraud, Bribery and Corruption Strategy sets out our zero-policy approach to such acts and records a clear commitment to deal with any cases robustly. We aim to provide an open environment whereby employees and those working for the Council can raise issues that they believe to be in the public interest. This policy sits alongside our Whistleblowing Policy and procedures which provides protection from any harassment, victimisation, or other detriment to any whistleblowing on serious wrongdoing.

3 Key Achievements during 2022-23

The Council continued to conduct significant transformation and restructuring as it began to harmonise the services inherited from the predecessor councils. These achievements included:

New residential home for Dorset children	<p>The council Invested in a new residential home for Dorset children in Weymouth to prevent them being placed in care outside of Dorset.</p> <p>The home officially opened in October 22.</p>	Levelling up grant	Won government funding of £70,000, from the Department for Levelling Up, Housing and Communities for locally important buildings, sites, monuments, and features to be included on new Local Heritage Lists.
Awarded £2.13m from the Brownfield Land Release Fund	<p>The grant funding will be used to help build almost 200 homes in Dorset on underused brownfield land.</p> <p>Helping local people and families get on the property ladder.</p>	Homelessness and help for vulnerable adults	<p>Awarded £500,000 of government funding to help tackle rough sleeping in the county.</p> <p>Established the 'Safe Space' project so people have a safe place to go when they are vulnerable or unable to get back to their accommodation in Weymouth.</p>
Funding for local voluntary and community organisations	Local voluntary and community organisations across the county have been awarded a total of £209,689 in financial support from Dorset Council to help with their running costs. Dorset Council's community and culture project also awarded £66,094 to 18 local arts and sports organisations.		
Weymouth Regeneration	We reshaped Custom House Quay in Weymouth, giving priority to people rather than vehicles. This has resulted in better air quality and a new, harbour café culture. Dorset craftsmen and materials were used where possible. Part of this project included significant investment to improve Weymouth's railway forecourt. This work has created a more welcoming and accessible place for visitors, residents, and businesses, has better onward transport links and includes a nod to Weymouth's railway heritage through imaginative interpretation.		
Digital Technology	Dorset residents registered for the third Festival of The Future to learn about the benefits of digital technology. The five-day festival was staged at locations across Dorset to highlight the county's exciting digital future. More than 7,000 Dorset homes and businesses will be the first in the country to receive next generation broadband through the government's £5 billion Project Gigabit programme.		
Safer Streets	Initiatives to protect women and girls from violence will continue to operate after almost £250,000 of funding has been secured. Last year the council was awarded £380,000 for projects to help women and girls feel safer on our streets as part of the Government's Safer Streets Fund. A new project has been launched in Weymouth which will help to keep young women safer when they are outside of their family home. The Pineapple Project uses the principles of community guardianship to give young women a haven when things do not go to plan, by stepping into a local shop where they can charge their phone or put some distance between them and the person who is bothering them.		

Investment in a new school for pupils with SEND in Dorset	Coombe House School, the new school for children in Dorset with special educational needs and/or disabilities (SEND) officially opened in September this year. Over the next 18 months, the school will expand to its full capacity of 280 children and become a Dorset Centre of Excellence, providing a residential children's home, respite care centre and a workforce training centre for those who work with children with SEND. This is part of a £37.5 million investment over the next five years to provide the best education for Dorset children and young people with special educational needs and disabilities.	
Planning	Combined the planning information from the six former district, borough, and county councils and 4.3 million documents have been transferred to a central system.	Community Governance Review of town and parish councils Completed a public consultation to ask residents their views on town and parish councils.
Climate and Ecological Emergency	<p>Delivery of the Public Sector Decarbonisation Scheme which funded £19m programme of work to decarbonise council sites completed. This resulted in the installation of 350 energy saving measures at over 200 council-owned sites (including schools, leisure centres, country parks, waste depots, offices, and care homes). And is expected to save around 9 million kilowatt hours of energy annually. Just under £1million worth of grants have been awarded to 54 Dorset based organisations to support the installation of energy saving and renewable energy measures, through the council's ERDF funded Low Carbon Dorset programme. Combined, these projects are expected to save over 1,000 tonnes of CO₂ annually.</p> <p>Over £400,000 in grant funding awarded to farmers and land managers through the Dorset AONB Partnership's Farming in Protected Landscapes programme, which is hosted by Dorset Council and funded by Defra. Funds are supporting 57 projects focusing on nature recovery and climate change mitigation. Electrification of council pool fleet, funded through vehicle replacement fund and climate change capital budget, set to be complete by Mar 23. Dorset Council secured £2.7 million to increase the number of Electric Vehicle charging points. The funding comes from the new Local Electric Vehicle Infrastructure (LEVI) pilot scheme. Dorset Council secured over £900,000 worth of funding to improve sections of two National Cycle Network routes in Dorset. Dorset Council also secured £2.5million in funding from the Environment Agency to stabilise, protect and repair the historic Cobb in Lyme Regis. This will be the fifth and final phase of their long-term Environmental Improvement Strategy in the seaside town. The overall cost of the project is expected to be around £3million, with the rest of the money provided by Dorset Council.</p>	
Waste Services	Successful changing of bin collections for 34,000 households in North Dorset leading to cost savings on vehicle use, increased reliability, and more efficient round configurations.	

Homes for Ukraine scheme	Around 720 Ukrainian refugees are calling Dorset home through the government's Homes for Ukraine scheme. Working with our Dorset Together partners, which includes local voluntary and community groups, the council is providing a range of advice and support to our Ukrainian guests and the 260 hosts who have kindly offered their homes.		
County Parks	Dorset Council's Durlston Country Park in Swanage received a grant of £35,400 from the Government's Culture Recovery Fund. Dorset Council has six countryside sites. All were awarded Green Flag status	Summer in Dorset	The council offered an incredible 18,000 funded places across 50 locations for eligible children to take part in Summer in Dorset activities. Over 1,500 children took part.
Family Hubs	Dorset Council was awarded £875,450 from the government's Family Hubs Local Transformation Fund for the work it is conducting on Family Hubs. Family Hubs are a network of welcoming places and spaces for children, young people, and their families where they will be able to chat without an appointment to get some help from a variety of services and take part in support groups or join in activities.		
Recognised Awards	For the second year in a row the ground-breaking 5G Rural Dorset project has been honoured with an award at this year's Connected Britain conference in London. Dorset Council received the Armed Forces Covenant Gold Award as part of the Ministry of Defence's Employer Recognition Scheme. Dorset Council's six countryside sites – all awarded the Green Flag this year. Moors Valley , Avon Heath and Durlston Country Park , plus Thorncombe Woods near Dorchester, and the Milldown and Stour Meadows in Blandford, was recognised by the Green Flag Award scheme as some of the best in the world. The communications team, along with colleagues from Dorset AONB and Visit Dorset, were winners of a national communications award for 'Best use of Research and Evaluation' for the Promise to Love Dorset campaign. This campaign had clear objectives - to change visitor behaviour, following on from some of the anti-social behaviours we saw during the 2020 pandemic.		
Defence Battle Lab opens	A £5.7m collaboration between the MOD, Dorset Council, and the Dorset Local Enterprise Partnership (LEP), to provide an ambitious Defence building programme at the heart of Dorset, dedicated to the pursuit of innovation and technologies of the future. Innovation hub officially opened at Dorset Council's Innovation Park Near Wool. It marks a £5.7m collaboration between the Ministry of Defence (MoD), Dorset Council, and Dorset Local Enterprise Partnership (LEP).		
Cost of living crisis	Working with the 'Dorset Together' network, including our partners at Citizens Advice, Age UK, Help and Kindness and to put in place help where it is needed most. Webpage developed to feature up to date help and support available. Through the Government's Council Tax Energy Rebate schemes, over £18.2 million has been awarded from the main scheme and a further £875,300 has been awarded from the discretionary scheme. We expect to distribute £775K through the Household Support Fund (HSF) to eligible, low-income households. HSF has also been distributed to families, care leavers and via free school meal vouchers. In total our Household Support Fund allocation for this round is £2.29 million.		

4 What actions have been taken in response to 2021-22 Annual Governance Statement

<p style="text-align: center;">Head of Organisational Development</p>	<p>1 - Compliance with mandatory training remains low.</p> <p>Update – In 2022, the Mandatory training refresher cycle was changed resulting in a requirement for employees to complete Health and Safety, Prevent and Equality and Diversity learning pathways every 2 years. This has resulted in more employees being compliant in these disciplines due to an extended completion window being applied. A new Safeguarding awareness pathway was also introduced in 2022 for employees outside of Adults and Children’s directorates (these Directorates already require employees to complete Safeguarding training at Level 2 and/or 3).</p> <p>The safeguarding awareness pathway also includes a module aimed at raising awareness around Modern Slavery. Despite several communications, completion rates remain just below 50%. Employees need to complete this learning every 2 years.</p> <p>The remaining Mandatory Training pathway is Data Protection and this needs to be completed annually. Compliance rates remain low, and work is ongoing to raise awareness with key stakeholders, including managers, across the organisation as to the importance of completing this and how it is relevant to their role.</p> <p>Overall, organisational compliance rates for all mandatory training are 71.22%. Safeguarding awareness and Data Protection are the 2 pathways that have the lowest compliance rates.</p> <p>However, there is still ongoing work to ensure the accuracy of the data as there are several user accounts that are not correctly set up with blank information and place names instead of users.</p> <p>There is also a now identified pocket of employees that are digitally disconnected and do not have a user account set up as they do not have Dorset Council e-mail addresses.</p> <p>These employees (estimated to total around 700) are in the Place Directorate and all have front facing roles, dealing directly with members of the public. There is now some work starting around designing and delivering a face-to-face learning event for these employees to ensure full compliance with all legal and statutory duties. Most of these roles include a requirement to complete Health and Safety training at a higher level than the Mandatory training but that still leaves the need to complete the other pathways in an accessible format.</p>
	<p style="text-align: center;">Service Manager for Assurance</p>

Service Manager for Assurance	3 - Improve compliance rates for Subject Access Request responses
	<p>Update – There have been challenges in meeting the Information Commissioners Officer (ICO) timelines due to increasing numbers and complexity of requests, particularly in respect of care leavers. Due to the sensitive nature of the content, requests require substantial redaction. A significant amount of work has been undertaken to improve compliance, with the SARs team transferring across from Children’s Services to Assurance under the management of the Assistant Data Protection Officer. Internal staffing is being supplemented with an outsource arrangement with a redaction company, with the cost of this a budget pressure for Children’s Services.</p> <p>Since the transfer of the team, great progress has been made in reducing the length of response time and improving the number of requests that are responded to within Information Commissioners Office timescales. This is due to staff now having been recruited and trained, improved efficiency and reviews of process. This has improved from 53% at the beginning of April 2022 to 70% as at December 2022 (but still short of the 90% target). Further work continues to improve compliance. We are working with the Rees Foundation to support care leavers that submit SARs. This is to help focus in on the information that the care leaver is seeking rather than full document disclosure and support them in understanding what is disclosed. A project has been established to explore the potential purchase of redaction software, to further improve efficiency. This will continue as an improvement action for 2023/24.</p>
Service Manager for Assurance	4 Embedding “Data Protection by Design and Default” through improved Data Privacy Impact Assessments, potentially incorporating into a wider “whole impact” assessment (equality; climate change etc).
	Update – The new Strategic Information Governance Board will help to drive this work forward, but it remains an improvement action now.
Service Manager for Archives	5 - Rollout of Information Asset Register
	Update – The Information Asset Owner project has been initiated and is currently at the service design stage.

5 What actions will be taken in response to this 2022-23 Annual Governance Statement

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed or are included in action plans for the relevant managers.

Action One	Ongoing work to improve compliance rates on Subject Access Requests
	Responsible Officer – Service Manager for Assurance

Action Two	Respond to internal audit actions on embedding risk management, including reassessment of Council's risk appetite. This will incorporate further work on assurance mapping.
	Responsible Officers – Service Manager for Performance and Business Intelligence; Service Manager for Assurance
Action Three	Develop and roll out the action plan to support the Council's data strategy
	Responsible Officer - Service Manager for Performance and Business Intelligence
Action Four	Embedding "Data Protection by Design and Default" through improved Data Privacy Impact Assessments, potentially incorporating into a wider "whole impact" assessment (equality; climate change etc).
	Responsible Officer – Service Manager for Assurance
Action Five	Ongoing development and rollout of a DC Information Asset Register
	Responsible Officer – Service Manager for Archives
Action Six	Rollout of Climate Change Risk Assessment
	Responsible Officer – Corporate Director TID and Climate
Action Seven	Improve compliance rates for mandatory training on data protection and safeguarding awareness
	Responsible Officer – Head of Learning and Development

6 Approval of the Annual Governance Statement 2022-23

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

Supported by:

Appendix A – Local Code of Corporate Governance

Appendix B – Summary of Extreme Potential Risks

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Dorset County Pension Fund ('the pension fund') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the fund account;
- the net assets statement; and
- the related notes 1 to 24.

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 ("the Code").

Basis for disclaimer of opinion

The pension fund is administered by Dorset Council ("the Authority"), therefore the Authority includes the pension fund's financial statements within its statement of accounts. The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, including the pension fund's financial statements and an accompanying auditor's report, for the year ended 31 March 2023 by 13 December 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the pension fund's financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code 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 pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the pension fund and its control environment, and review the pension fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the pension fund operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

Use of our report

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

Handwritten signature of Ian Howse in black ink.

Ian Howse (Key Audit Partner)
For and on behalf of Deloitte LLP
Cardiff, United Kingdom
13 December 2024

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF DORSET COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Dorset Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office.

Basis for qualified opinion

As explained in our report on the administering authority's full annual statement of accounts, we did not express an audit opinion on the financial statements of Dorset Pension Fund for the year ended 31 March 2023. The basis for our disclaimer of opinion was that following the introduction of the Accounts and Audit (Amendment) Regulations 2024 ("the Regulations"), there was insufficient time to complete the necessary audit work to form an audit opinion by 13 December 2024.

As a result, we also are unable to express an opinion upon whether the pension fund financial statements comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Qualified opinion

In our opinion, the pension fund financial statements are consistent, in all material respects, with the pension fund financial statements in the full annual statement of accounts of Dorset Council for the year ended 31 March 2023.

As explained in the 'Basis for qualified opinion' section, we are unable to determine whether the financial statements comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Use of our report

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

A handwritten signature in black ink that reads "I C Howse". The letters "I" and "C" are large and stylized, with the "I" having a horizontal bar at the top. The name "Howse" is written in a cursive script.

Ian Howse (Key Audit Partner)
For and on behalf of Deloitte LLP
Cardiff, United Kingdom
13 December 2024

APPENDIX C: PENSION FUND ACCOUNTS 2022-23

FUND ACCOUNT					
2021/22				2022/23	
£'000	£'000		Note	£'000	£'000
		Dealings with members, employers and others directly involved in the Fund			
	139,798	Contributions	7		141,527
109,864		Employer contributions		109,217	
29,934		Member contributions		32,310	
	22,524	Transfers in from other pension funds	8		5,708
	162,322	Total additions from dealing with members etc.			147,235
	(133,759)	Benefits	9		(141,306)
(114,379)		Pensions		(120,256)	
(16,277)		Commutation and lump sum retirement benefits		(17,446)	
(3,103)		Lump sum death benefits		(3,604)	
	(5,633)	Payments to and on account of leavers	10		(6,748)
(439)		Refunds of contributions		(406)	
(5,194)		Transfers to other pension funds		(6,342)	
	22,930	Net additions/(withdrawals) from dealings with members and others			(819)
	(15,574)	Management expenses	11		(17,947)
	7,356	Net additions/(withdrawals) including Fund management expenses			(18,766)
	16,228	Investment Income	12		19,535
	(10)	Taxes on income			-
	329,236	Profit/(loss) on disposal of investments and changes in the value of investments			(182,574)
	345,454	Net return on investments			(163,039)
	352,810	Net increase/(decrease) in assets available for benefits during the year			(181,805)
	3,350,990	Opening net assets of the fund 1 April			3,703,800
	3,703,800	Closing net assets of the fund 31 March			3,521,995

NET ASSETS STATEMENT				
31 March 2022			31 March 2023	
£'000	£'000	Note	£'000	£'000
	838	Long term investments		707
838		Brunel Pension Partnership Ltd	707	
	3,693,622	Investment assets		3,517,355
59		Equities	72	
3,210,018		Pooled investment vehicles	3,069,686	
132,224		Private equity	135,849	
274,308		Property	245,859	
72,664		Cash & cash equivalents	58,035	
3,108		Derivative contracts	7,086	
1,241		Other investment assets	768	
	-	Investment liabilities		-
	3,694,460	Total net investments		3,518,062
	13,992	Current assets		10,770
10,732		Contributions due from employers	10,032	
3,260		Other current assets	738	
	(4,652)	Current liabilities		(6,837)
(928)		Unpaid benefits	(560)	
(3,724)		Other current liabilities	(6,277)	
-		Deferred income	-	
	3,703,800	Net assets available to fund benefits		3,521,995

DISCLOSURE NOTES

NOTE 1. DESCRIPTION OF THE FUND

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

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2022		31 March 2023
327	Total Employers	339
	Employees	
7,130	Administering Authority	7,270
19,403	Other Scheduled Bodies	21,010
1,117	Admitted Bodies	1,009
27,650	Total Employees	29,289
	Pensioners	
9,524	Administering Authority	9,723
13,850	Other Scheduled Bodies	14,423
1,928	Admitted Bodies	2,035
25,302	Total Pensioners	26,181
	Deferred Pensioners	
8,839	Administering Authority	8,917
14,434	Other Scheduled Bodies	14,964
1,527	Admitted Bodies	1,529
24,800	Total Deferred Pensioners	25,410
77,752	Total Members	80,880

b) **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

d) **Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was originally due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. However, an optional deferral to adopt IFRS 16 from either 1 April 2022, 1 April 2023 or 1 April 2024 has been announced following an emergency consultation for updating the Code. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lease.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts

not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund:

- Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).
- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

Net Assets Statement:

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Freehold and leasehold properties

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 17 for more details.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable as at the year-end date plus accrued interest.

Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the

value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 24).

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly held property

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Actuarial present value of promised retirement benefits (Note 21)

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

Private equity investments (Note 17)

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of Covid-19 on valuations. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Freehold, leasehold property and pooled property funds (Note 17)

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

NOTE 6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events). No events after the reporting date have been identified.

NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2021/22		2022/23
£'000	Employer contributions	£'000
81,651	Contributions re future service costs	84,930
18,452	Contributions re past service costs (deficit recovery)	21,113
4,359	Voluntary additional contributions	2,351
2,121	Augmentation cost of early retirements	823
3,664	Exit payments from employers	-
(382)	Exit credits to employers	-
109,865	Total employer contributions	109,217
29,934	Member contributions	32,310
139,799	Total contributions receivable	141,527

By type of employer:

2021/22		2022/23
£'000		£'000
41,192	Administering authority	45,274
84,339	Other scheduled bodies	92,199
14,268	Admitted bodies	4,054
139,799	Total contributions receivable	141,527

NOTE 8. TRANSFERS IN FROM OTHER PENSION FUNDS

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund in 2022-23.

NOTE 9. BENEFITS PAYABLE

By type of employer:

2021/22		2022/23
£'000		£'000
45,237	Administering authority	48,010
77,188	Other scheduled bodies	81,809
11,334	Admitted bodies	11,487
133,759	Total benefits payable	141,306

NOTE 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

All transfers out to other pension funds were individual transfers.

NOTE 11. MANAGEMENT EXPENSES

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

2021/22		2022/23
£'000		£'000
2,093	Administrative expenses	2,272
487	Oversight and governance costs	632
12,994	Investment management expenses	15,043
15,574	Total management expenses	17,947

Investment management expenses consisted of:

2021/22		2022/23
£'000		£'000
10,648	Investment management fees	12,382
513	Performance related fees	320
27	Custody fees	23
1,530	Transaction costs	1,457
276	Other fees and costs	861
12,994	Total investment management expenses	15,043

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

NOTE 12. INVESTMENT INCOME

2021/22		2022/23
£'000		£'000
199	Bonds	-
23	Equities	4
3,066	Pooled Investments	5,196
1,499	Pooled Property Investments	2,806
11,042	Direct Property	10,748
233	Private Equity	141
-	Interest from Cash Deposits	381
1	Other Income	0
165	Fee Rebate Income	260
16,228	Total Investment Income	19,535

NOTE 13. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £707k (£838k at 31 March 2022).

NOTE 14. INVESTMENT ASSETS

31 March 2022			31 March 2023	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
0.00%	59	Equities	72	0.00%
	59	Investec	72	
3.60%	132,224	Private Equity	135,849	3.90%
	76,893	HarbourVest	69,954	
	22,047	Aberdeen Standard	20,236	
	10,613	Capital Dynamics Global Secondary Fund V	12,692	
	7,917	Neuberger Berman Private Equity Impact Fund	9,686	
	6,706	Neuberger Berman SCIOP IV	10,085	
	3,571	Ardian LBO Fund	5,112	
	2,229	Vespa Capital III	3,634	
	860	Summit Eur Growth EQ III SCSP LP	1,665	
	1,388	Alpinvest Secondaries Fund VII Limited Partnership	2,785	
7.40%	274,308	Property (directly owned)	245,859	7.00%
	274,308	CBRE Global Investors	245,859	
		Pooled Investment Vehicles:		
5.00%	185,995	Bonds	229,091	6.50%
	185,995	RLAM Corporate Bond Fund	160,203	
	-	Royal London Mutual Insurance Mutual Fund	68,888	
10.10%	373,410	UK Equities - Quoted	309,992	8.80%
	71,248	Schroder UK Smaller Companies Equity Fund	-	
	121,452	LGIM UK Equity Index (passive)	125,124	
	180,710	Brunel UK Equities	184,868	
39.40%	1,455,272	Global Equities - Quoted	1,709,621	48.60%
	309,179	LGIM Smart Beta Fund (passive)	307,261	
	206,930	LGIM World Developed Equities (passive)	199,868	
	-	LGIM PAB DEV EQ IDX	108,616	
	-	LGIM CTB DEV EQ IDX	108,572	
	268,741	Brunel Global High Alpha Equities	269,882	
	149,963	Brunel Emerging Markets Equities	142,249	
	352,133	Brunel Global Sustainable Equities	347,678	
	168,326	Brunel Smaller Companies Equities	225,495	
4.60%	169,355	Multi Asset Credit (MAC)	232,448	6.60%
	34,167	CQS Global Funds Mutual Fund	46,933	
	33,805	Oaktree (LUX) III SA SICAV Mutual Fund	46,990	
	101,382	Neuberger Berman Investment Mutual Fund	138,526	
1.90%	71,457	Property Funds	56,895	1.60%
	58	Lend Lease Retail Partnership	24	
	5,395	Standard Life UK Shopping Centre Trust	3,835	
	17,362	CBRE UK Long Income Property Fund	15,161	
	25,480	Aberdeen Standard Long Lease Property Fund	19,730	
	23,162	M&G Secured Income Property Fund	18,144	
6.60%	243,437	Diversified Returns Funds	236,496	6.70%
	243,437	Brunel Diversifying Returns Fund	236,496	
6.80%	252,133	Infrastructure	276,188	7.90%
	102,094	Hermes GPE Infrastructure Funds	93,750	
	132,380	IFM Global Infrastructure Fund	154,272	
	17,659	Greencoats Renewable Income Infrastructure Fund	18,470	
	-	STEPSTONE B III	9,696	
12.40%	458,960	Liability Driven Investment	18,955	0.50%
	458,960	Insight LDI Fund	18,955	
86.80%	3,210,018	Total - Pooled Investments	3,069,686	87.20%

31 March 2022			31 March 2023	
Market Value		Description / Investment Manager	Market Value	
2.00%	72,664	Cash & Cash Equivalents	58,035	1.60%
0.10%	3,108	Derivatives	7,086	0.20%
0.00%	1,241	Investment Receivables	768	0.00%
100.00%	3,693,623	Total Investment Assets	3,517,355	100.00%

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

Investment assets under the management of Brunel Pension Partnership are valued at £2,434M at 31 March 2023 (£2,099M at 31 March 2022).

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. The future minimum lease payments receivable are as follows:

31 March 2022		31 March 2023	
£'000		£'000	
10,087	Within one year	10,047	
34,635	Between one and five years	34,515	
29,564	Later than five years	34,122	
74,286	Total future lease payments due under existing contracts	78,684	

NOTE 15. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

2022-23	Value 1 April 2022 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2023 £'000
Long Term Investments	838	-	-	(131)	707
Equities	59	-	-	13	72
Pooled Investment Vehicles	3,210,018	438,590	(448,439)	(130,483)	3,069,686
Private Equity	132,224	15,894	(17,749)	5,480	135,849
Property	274,308	15,022	(1,953)	(41,518)	245,859
Total Securities	3,617,447	469,506	(468,141)	(166,639)	3,452,173
Forward Foreign Exchange	3,108	-	-	3,978	7,086
Total Securities and Derivatives	3,620,555	469,506	(468,141)	(162,661)	3,459,259
Other Investment Balances:					
Cash & cash equivalents	72,664	-	-	(19,942)	58,035
Other investment assets	1,241	-	-	29	768
Other investment liabilities	0	-	-	-	-
Total Net Investments	3,694,460	469,506	(468,141)	(182,574)	3,518,062

2021-22	Value 1 April 2021 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2022 £'000
Long Term Investments	768	-	-	70	838
Bonds	0	72,045	(73,319)	1,274	-
Equities	52	-	-	7	59
Pooled Investment Vehicles	2,894,459	365,732	(295,258)	245,085	3,210,018
Private Equity	96,102	17,410	(35,020)	53,732	132,224
Property	260,716	5,940	(32,292)	39,944	274,308
Total Securities	3,252,097	461,127	(435,889)	340,112	3,617,447
Forward Foreign Exchange	(670)	1,144	(160)	2,794	3,108
Total Securities and Derivatives	3,251,427	462,271	(436,049)	342,906	3,620,555
Other Investment Balances:					
Cash & cash equivalents	87,696	-	-	(13,697)	72,664
Other investment assets	1,418	-	-	27	1,241
Other investment liabilities	-	-	-	-	-
Total Net Investments	3,340,541	462,271	(436,049)	329,236	3,694,460

NOTE 16. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	264,294,324	USD	319,724	6,116.6	(0.4)
	GBP	31,501,016	JPY	5,014,000	723.8	(0.2)
	GBP	37,402,134	EUR	42,163	246.2	(0.3)
Open Forward Currency Contracts at 31 March 2023					7,086.6	(0.9)
Net Forward Currency Contracts at 31 March 2023						7,085.7

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	USD	38,092	GBP	28,941	-	(2.4)
	JPY	380,643	GBP	2,388	-	(0.0)
	EUR	4,021	GBP	3,409	-	(0.0)
	GBP	276,613	USD	361,383	2,065.0	-
	GBP	29,077	JPY	4,433,026	1,270.3	-
	GBP	35,229	EUR	41,813	-	(224.5)
Open Forward Currency Contracts at 31 March 2022					3,335.3	(226.9)
Net Forward Currency Contracts at 31 March 2022						3,108.4

NOTE 17. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

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

The following tables summarise the Fund's investment assets by class at 31 March 2023 and at 31 March 2022 measured at fair value according to the above fair value hierarchy.

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	72	-	-	72
Pooled Investment Vehicles	-	2,736,604	333,082	3,069,686
Private Equity	-	-	135,849	135,849
Property	-	-	245,859	245,859
Cash & Cash Equivalents	38,114	19,921	-	58,035
Derivatives	-	7,086	-	7,086
Other investment assets	768	-	-	768
Total	38,954	2,763,610	714,790	3,517,355

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	59	-	-	59
Pooled Investment Vehicles	-	2,886,428	323,589	3,210,018
Private Equity	-	-	132,224	132,224
Property	-	-	274,308	274,308
Cash & Cash Equivalents	64,251	8,413	-	72,664
Derivatives	-	3,108	-	3,108
Other investment assets	1,241	-	-	1,241
Total	65,551	2,897,950	730,121	3,693,622

During the year ended 31 March 2023 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

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

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2:			
Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3:			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Level 3:			
Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2023.

	Valuation range % (+/-)	Value at 31 March 2023 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	333,082	383,045	283,120
Private Equity	15.00%	135,849	156,226	115,472
Property	15.00%	245,859	282,738	208,980
Total		714,790	822,009	607,572

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	72	-	-	72
Pooled investments	-	2,736,604	276,188	3,012,791
Pooled property investments	-	-	56,895	56,895
Private equity	-	-	135,849	135,849
Derivative contracts	-	7,087	-	7,087
Sub-total	72	2,743,690	468,931	3,212,694
Non financial assets at fair value through profit and loss				
Property	-	-	245,859	245,859
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	(1)	-	(1)
Total	72	2,743,689	714,790	3,458,552
31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	59	-	-	59
Pooled investments	-	2,886,428	252,133	3,138,561
Pooled property investments	-	-	71,457	71,457
Private equity	-	-	132,224	132,224
Derivative contracts	-	3,335	-	3,335
Sub-total	59	2,889,764	455,813	3,345,636
Non financial assets at fair value through profit and loss				
Property	-	-	274,308	274,308
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	(227)	-	(227)
Total	59	2,889,537	730,121	3,619,717

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investmen £'000	Private Equity £'000	Property £'000	Total £'000
Value at 31 March 2022	323,589	132,224	274,308	730,121
Purchases and derivative payments	11,430	15,894	15,022	42,346
Sales and derivative receipts	(14,588)	(17,749)	(1,953)	(34,290)
Unrealised gains and losses	10,736	(3,267)	(41,518)	(34,049)
Realised gains and losses	1,915	8,747	-	10,662
Value at 31 March 2023	333,082	135,849	245,859	714,790

NOTE 18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
As at 31 March 2023			
Financial assets			
Equities	72	-	
Pooled investments	3,012,791	-	
Pooled property investments	56,895	-	
Private equity	135,849	-	
Derivative contracts	7,087	-	
Cash and cash equivalents	-	58,035	
Other investment balances	-	768	
Debtors	-	10,770	
Total	3,212,694	69,573	
Financial liabilities			
Derivative contracts			1
Other investment balances			-
Sundry creditors			6,837
Total			6,838
As at 31 March 2022			
Financial assets			
Equities	59	-	
Pooled investments	3,138,561	-	
Pooled property investments	71,457	-	
Private equity	132,224	-	
Derivative contracts	3,335	-	
Cash and cash equivalents	-	72,664	
Other investment balances	-	1,241	
Debtors	-	13,992	
Total	3,345,636	87,897	
Financial liabilities			
Derivative contracts			227
Other investment balances			-
Sundry creditors			4,652
Total			4,879

NOTE 19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

(a) Market Risk

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

(a) (i) Other Price Risk

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

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

As at 31 March 2023	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	72	15.00%	11	(11)
Pooled Investment Vehicles	3,069,686	15.00%	460,453	(460,453)
Private Equity	135,849	15.00%	20,377	(20,377)
Property	245,859	15.00%	36,879	(36,879)
Cash & cash equivalents	58,035	0.00%	-	-
Derivatives	7,086	15.00%	1,063	(1,063)
Other investment assets	768	0.00%	-	-
Total	3,517,355	14.75%	518,783	(518,783)

As at 31 March 2022	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	59	15.00%	9	(9)
Pooled Investment Vehicles	3,210,018	15.00%	481,503	(481,503)
Private Equity	132,224	15.00%	19,834	(19,834)
Property	274,308	15.00%	41,146	(41,146)
Cash & cash equivalents	72,664	0.00%	-	-
Derivatives	3,108	15.00%	466	(466)
Other investment assets	1,241	0.00%	-	-
Total	3,693,622	14.70%	542,958	(542,958)

(a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2023 and 2022 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2023	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	58,035	-	-
Assets held in pooled investment vehicles:			
Bonds	229,091	2,291	(2,291)
Multi Asset Credit (MAC)	232,448	2,324	(2,324)
Liability Driven Investment (LDI)	18,955	190	(190)
Total	538,530	4,805	(4,805)

As at 31 March 2022	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	72,664	-	-
Assets held in pooled investment vehicles:			
Bonds	185,995	1,860	(1,860)
Multi Asset Credit (MAC)	169,355	1,694	(1,694)
Liability Driven Investment (LDI)	458,960	4,590	(4,590)
Total	886,974	8,143	(8,143)

(a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2023	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	72	36	5
Pooled Investment Vehicles	2,332,837	1,549,151	232,373
Private Equity	135,849	135,849	20,377
Total	2,468,758	1,685,036	252,755

As at 31 March 2022	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	59	30	4
Pooled Investment Vehicles	2,000,444	1,347,789	202,168
Private Equity	132,224	132,224	19,834
Total	2,132,727	1,480,043	222,006

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

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

The table below summarises the Fund's exposure to credit risk at 31 March 2023 and 31 March 2022.

Investment	31 March 2023	31 March 2022
	£'000	£'000
Cash and Cash Equivalents	58,035	72,664
Assets held in pooled investment vehicles:		
Bonds	229,091	185,995
Multi Asset Credit (MAC)	232,448	169,355
Liability Driven Investment (LDI)	18,955	458,960
Total	538,530	886,974

(c) Liquidity Risk

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

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months' notice, subject to normal market conditions. As at 31 March 2023, liquid assets were £2,803M representing 79% of total net assets (£2,694m at 31 March 2022 representing 80% of total net assets at that date).

NOTE 20. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2022, setting employer contribution rates for the period 1 April 2023 to 31 March 2026.

The next valuation is taking place as at 31 March 2025 and will set employer contribution rates for the period 1 April 2026 to 31 March 2029.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;

- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2023 were set at the valuation calculated as at 31 March 2019. The common contribution rates set at the 2022 valuation for the three-year period ending 31 March 2026 are as follows.

	2023/24	2024/25	2025/26
Primary rate (future service contributions)	19.10%	19.10%	19.10%
Secondary rate (deficit recovery contributions)	3.10%	3.30%	3.40%
Total employer contributions	22.20%	22.40%	22.50%

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

At the 2022 actuarial valuation, the Fund was assessed as 96% funded (92% at the 2019 valuation) with a deficit recovery period of no more than 16 years (19 years at the 2019 valuation). The key assumptions applied by the actuary for the 2022 and 2019 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2019	Valuation 2022
Annual rate of return on investments (discount rate)	5.00%	4.90%
Annual rate of increases in pay (long term)	3.60%	4.00%
Annual rate of inflation (CPI)	2.60%	3.00%

NOTE 21. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

This valuation as at 31 March 2023 is set out in Appendix D to these financial statements 2022/23.

NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

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

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £929k in 2022/23 (£697k in 2021/22).

NOTE 23. RELATED PARTY TRANSACTIONS

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

The Council remits monthly contributions to the Fund in arrears, and March 2023 contributions of £3.3m were accrued as at 31 March 2023. Management and administration costs of £2.2m were incurred by the Council and recharged to the Fund in 2022/23. In addition, at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2023, one member of the Committee was a contributing member of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.2m recharge from the Council includes a charge of £20k for the Deputy Chief Financial Officer's time spent working for the Fund.

NOTE 24. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Recovery of withholding tax

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2023 do not reflect any potential recovery of tax.

Impact of the McCloud and Sargeant judgements

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection to those members.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ("McCloud") and the judiciary ("Sargeant") resulted in unlawful age discrimination. The implications of the ruling are expected to apply to all public sector schemes including the LGPS. Remedial regulations are expected in 2023.

The Government Actuary's Department's (GAD) estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions. Whilst this looks at the national picture, the impact on any given fund and its scheme employers could be significantly different. The Fund's actuary has calculated the estimated impact on liabilities for the main employers in the Fund based on the assumptions used by GAD. These results range from 0.4% to 0.8% of total liabilities for each employer but remain uncertain until remedial regulations are finalised.

Commitments to private markets' portfolios

Outstanding capital commitments (investments) at 31 March 2023 were approximately £70m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

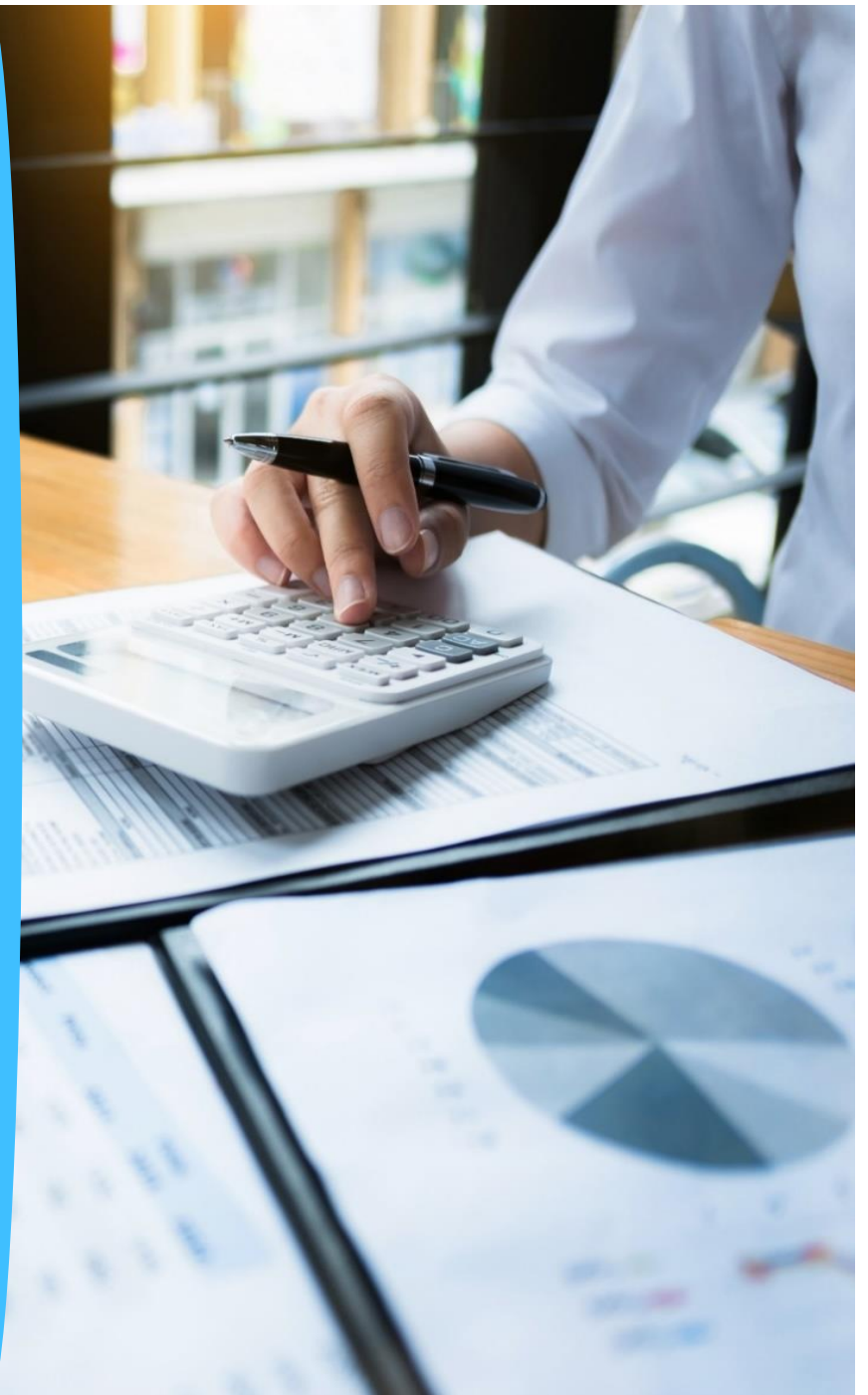


**BARNETT
WADDINGHAM**
beyond the expected

Dorset County Pension Fund

IAS26 Report as at 31 March 2023

9 April 2024



Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website (www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023.

This report supersedes previous versions of this report and has been updated to reflect an updated starting position.

We would be pleased to answer any questions arising from this report.



Hagen Eichel FFA
Actuary

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation as at	31 March 2022
Results of the previous IAS26 report as at	31 March 2022
Fund asset statement as at	31 March 2023
Fund income and expenditure items to	31 March 2023
Details of any new unreduced early retirement payments out to	31 March 2023

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in this report.

We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2022.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	23,160	455,060	47
Deferred pensioners	35,046	49,563	50
Pensioners	25,296	121,447	72

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority.

Estimated payroll for the year to 31 March 2023 £459,950,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2023.

We have been notified of 15 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £184,200.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is calculated to be -4.65% based on the Fund asset statements and Fund cashflows as set out in the Data section above.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2023		31 Mar 2022	
	£000s	%	£000s	%
Equities	2,192,046	62%	1,964,910	53%
Liability Driven Investment	18,955	1%	458,960	12%
Cash	58,803	2%	83,245	2%
Other Bonds	229,091	7%	185,995	5%
Diversified Growth Fund	236,496	7%	243,437	7%
Property	283,023	8%	345,765	9%
Infrastructure	266,492	8%	252,133	7%
Multi Asset Credit	232,448	7%	169,355	5%
Total	3,517,354	100%	3,703,800	100%

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2023 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2023	31 Mar 2022	31 Mar 2021
	p.a.	p.a.	p.a.
Discount rate	4.80%	2.60%	2.00%
Pension increases (CPI)	2.85%	3.20%	2.85%
Salary increases	3.85%	4.20%	3.85%

We have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from March 2022 to March 2023.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. Details of the post retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post retirement mortality	31 Mar 2023	31 Mar 2022
Base table	S3PA	S3PA
Multiplier (M/F)	95% / 100%	95% / 100%
Future improvements model	CMI_2021	CMI_2021
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial addition parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	5%	5%
2021 weight parameter	5%	5%

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)		31 Mar 2023	31 Mar 2022
Retiring today	Males	22.2	22.1
	Females	24.2	24.2
Retiring in 20 years	Males	23.5	23.4
	Females	25.6	25.6

Fund duration

The estimated duration of the Fund as at the accounting date, using the assumptions set out above is 17 years.

Results

Balance sheet	As at	As at	31 Mar 2021
Net pension asset in the statement of financial position	31 Mar 2023	31 Mar 2022	
	£000s	£000s	£000s
Present value of the defined benefit obligation	4,138,310	6,267,323	6,281,638
Fair value of Fund assets (bid value)	3,517,354	3,703,800	3,350,990
Net liability in balance sheet	620,956	2,563,523	2,930,648

The present value of the defined benefit obligation consists of £4,089,776,000 in respect of vested obligation and £48,534,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2023	31 Mar 2022
	£000s	£000s
Opening defined benefit obligation	6,267,323	6,281,638
Current service cost	206,845	233,429
Interest cost	161,534	124,812
Change in financial assumptions	(2,752,417)	(305,037)
Change in demographic assumptions	-	(154,940)
Experience loss/(gain) on defined benefit obligation	365,471	170,211
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(142,073)	(115,373)
Past service costs, including curtailments	1,917	2,660
Contributions by Scheme participants and other employers	29,710	29,923
Closing defined benefit obligation	4,138,310	6,267,323

The experience loss/(gain) on the defined benefit obligation includes £365,471,000 in respect of the allowance for actual pensions increases and CPI inflation over the accounting period.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2023 £000s	Year to 31 Mar 2022 £000s
Opening fair value of Fund assets	3,703,800	3,350,990
Interest on assets	96,155	67,225
Return on assets less interest	(268,800)	267,645
Other actuarial gains/(losses)	-	-
Administration expenses	(2,692)	(2,692)
Contributions by employer	101,254	106,082
Contributions by Scheme participants and other employers	29,710	29,923
Estimated benefits paid net of transfers in	(142,073)	(115,373)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	3,517,354	3,703,800

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	4,071,106	4,138,310	4,207,300
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	4,143,384	4,138,310	4,133,277
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	4,203,482	4,138,310	4,074,816
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	4,290,477	4,138,310	3,992,184

Academy	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
Accounting Date	The date to which an organisation makes up its Financial Statements. Like all local authorities, Dorset Council's accounting date is 31 March.
Accounting Period	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
Accounting Policies	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
Accrual	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
Accumulated Absences Account	This Account is an Unusable Reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward. It is permitted to have a negative balance.
Actuarial Gains And Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
Actuarial Valuation	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
Agency Services	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
Amortisation	Amortisation is the equivalent of depreciation for intangible assets (see below).
Amortised Cost	This is a mechanism that sees through the contractual terms of a Financial Instrument to measure the real cost or return to the Authority by using the effective interest rate method which incorporates the impact of premiums or discounts.
Asset	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
Assets Held for Sale	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
Balance Sheet	A statement that summarises an authority's financial position at the accounting date each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. The bottom half is comprised of reserves that show the disposition of an authority's net worth.
Balances	The accumulated surplus of income over expenditure.
Budget	A statement of the Council's plans expressed in financial terms.
Call To Account	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
Capital Charge	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
Capital Expenditure	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long-term value to the Authority (also referred to as capital spending or capital payments).
Capital Receipts	Income from the sale of capital assets (land, buildings, etc.).
Carrying Amount	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle less the accumulated depreciation.
Cash Flow Statement	This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

Chartered Institute of Public Finance And Accountancy (CPFA)	This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.
Codes Of Practice	In addition to the Service Reporting Code of Practice (SeRCOP), the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the UK. This code is approved by the Financial Reporting Advisory Board and is recognised by statute as representing proper accounting practice.
Collection Fund	A statutory fund maintained by the council for recording the collection and distribution of council tax receipts. Unitary, Town and Parish Councils; along with the Police and Fire authorities; and central government precepts are met from this fund. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
Collection Fund Adjustment Account	This Account is an Unusable Reserve which manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Community Assets	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An example would be a country park.
Comprehensive Income And Expenditure Statement (Cies)	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Component Accounting	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingency	A sum of money set aside to meet unforeseen expenditure.
Contingent Liability	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
Cost Centre	A specific area of activity where control of certain budgets has been delegated.
Council Tax	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
Creditors	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
Current Assets	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
Current Liabilities	Amounts owed by the Local Authority which are due to be settled within 12 months.
Current Service Cost	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
Debtors	Amounts due to the Authority but unpaid by the end of the accounting period.
Depreciation	The measure of the use or consumption of a fixed asset during the accounting period.
Donated Asset	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".

Emoluments	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
Earmarked Reserves	These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.
Estimation Techniques	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
Financial Asset	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
Financial Liability	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
Formula Spending Share (FSS)	The Government's assessment of each authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
Full Time Equivalent (FTE)	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
General Fund	This is the main revenue account of the Council and incorporates the net cost of all services (as shown in the Comprehensive Income and Expenditure Statement) together with the adjustments between accounting basis and funding basis under regulations and transfers to and from Earmarked Reserves (as shown in the Movement in Reserves Statement).
Heritage Asset	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
IAS	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all local authorities are now required to comply.
IFRS	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all local authorities are now required to comply.
Impairment	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
Inventories	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
Investment Property	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
Lease (Embedded Lease)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
Lease (Finance Lease)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
Lease (Operating Lease)	Any lease which is not a finance lease.
Local Management In Schools (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the Council.

Measurement	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.
Medium Term Financial Plan (MTFP)	The Council's five-year, rolling, financial plan.
Minimum Revenue Provision (MRP)	The sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.
Movement In Reserves Statement (MIRS)	This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.
National Non-Domestic Rates (NNDR)	Billing authorities (District, Borough and Unitary Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
Non-Current Assets	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
Non-Distributed Costs (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
Non-Operational Assets	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
Operating Segments	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an authority's internal management reporting, for example departments, directorates or portfolios. Dorset Council has chosen Directorates as its operating segments.
Other Operating Income and Expenditure	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement, but which should not be charged to specific services.
Outturn	The final actual income and expenditure earned or incurred in the financial year
Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Precept	A levy requiring the Council to collect income from council taxpayers. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
Provisions	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
Related Party	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to Dorset Council if, for example, a person employed by Dorset Council has significant influence over the entity or is a member of the key management personnel of that entity.
Reserves	Sums set aside and earmarked to meet the cost of specific future expenditure.
Residual Value	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
Revaluation Reserve	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
Revenue Expenditure	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)	<p>This is principally expenditure of a capital nature on properties which the Council does not own and which are not included in its asset register, and which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.</p> <p>This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.</p>
Revenue Support Grant (RSG)	A general central government grant paid to a local authority in support of its day to day expenditure and distributed on a formula basis.
Running Costs	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
Section 106 Receipts	Under Section 106 of the Town and Country Planning Act 1990, developers and local authorities can enter into planning obligations to enable the developments to proceed, when permission might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and usually provide for the developer to make financial payments to the Council that will be used for specific compensatory works or measures. Most S106 receipts are treated as capital contributions and applied to capital expenditure.
Segmental Analysis	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
Service Concession	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
Soft Loan	A loan with an interest rate below market rates.
Specific Grants	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
Subsequent Expenditure	Expenditure which is incurred on an asset after it has begun its useful economic life.
Surplus Assets	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
Third Party Payments	The cost of specialist or support services purchased by the Council from outside contractors or other bodies.
Total Cost	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
Trading Undertaking	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
Trust Funds	Funds administered by the Authority for such purposes as prizes, charities and special projects.
Unusable Reserves	Those reserves that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
Usable Reserves	Those reserves that can be applied to fund expenditure or reduce local taxation.